

Quality Function Deployment Approach for Islamic Banking Efficiency Improvisation

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ABSTRACT

Reflecting the progress of Islamic Banking in Malaysia, it has been almost 30 years of its achievement and Malaysia has becoming a hybrid market in the field of Shari'ah based financial system. The growth has been significant where it has contributed to strengthening the economic despite the challenges derived from liberalization and globalization pressures. Taking from the constantly growth trend of Islamic Banking scenario, ensuring the sustainability growth through the improvised efficiency for the years to come is inevitably paramount. Competing with the conventional banking system as part of the underlying process of gaining market share requires the sustainability momentum. Hence, efficiency improvisation plays important role in sustaining the upward growth chart and the presence of quality system and improvement techniques in identifying major components in the improvisation is rather a crucial. Therefore, this research is undertaken in the objective to study and develop simplified Quality Function Deployment (QFD) as the most appropriate technique in Islamic Banking strategic management improvisation and thus, facilitating its sustainability growth. For this purpose, the researcher will use primary data, which is a structured questionnaire and will be focusing to the respondents in Johore and Malacca state. The study will use a mix-method research methodologies of which both qualitative and quantitative method are applied. The data analysis will be using SPSS through the descriptive analysis inferential statistics. Thus, the finding from this study will show that by generating taxonomy for quality system and improvement techniques, a simplified quality technique will developed and adopted for further efficiency improvisation in the light of growth trend sustainability.

Keywords: Sustainable growth, Efficiency improvement, Quality Function Deployment

BACKGROUND

concept of Islamic banking was conceived in Malaysia back in 1963 with the inception of Muslim Pilgrims Savings Corporation which was set up to help people save their money for performing hajj. Starting from the small function, Islamic banking has gradually grown for the past four decades and according to Mersch (2010), the opportunity to grow could be considerably increased by benchmarking the past performance. In continuity, the Malaysian Islamic banking system (MIBS) has registered an encouraging achievement in the perspective of both the resilience of the industry and its sustained recovery (Parker, 2011). Capitalising on the growth trend, comprehensive Islamic banking system was developed and such infrastructure is aimed at creating the efficient and progressive Islamic banking towards generating high growth in the economy. As a result, Malaysia's Islamic banking assets has grown up with an average rate of 18 to 20 per cent while accommodating more than 60 Islamic financial products and services including musyarakah mutanaqisah home financing, Ijarah sukuk, and commodity murabahah deposits (MIDA, 2009).

Islamic banking is a form of financial tools that is based on Shari'ah, or the body of Islamic law. Abdullah and Chee, (2010) stated that the underlying key principles are belief in divine guidance, no interest, no haram investments, encouragement of risk sharing and financing is based on real assets. The concept of Islamic banking is open to facilitate the financial needs and services to both the Muslim and non – Muslim societies of which it offers an alternative to the conventional banking system. Moussawi and Obeid (2011) added that the activities of Islamic banking stretch out in the notion that the lender is committed to sharing both the benefits and risks of the loan with the borrower. While operating on a profit and loss sharing mechanism, Islamic banking also ensures better social justice in the distribution of economic resources and wealth (Erusan and Ibrahim, 2007).

Upon delivering its underlying principles and practices of Sharia'ah based, issues of quality management framework based on the customers' requirements in Islamic banking should be iron out accordingly. Facilitating the management of quality in Islamic banking products and services would in a way involve a tedious process. The analysis and translations of variable customers' behaviour into fulfilling the customers' satisfaction must be designed in such a way that it achieves the primary

objectives of sustaining the upward growth trend. Development of taxonomies of quality tools in the light of efficiency improvement can provide further understanding on differences of major functions in quality systems at various stages of management development (Yeung, Chan & Lee, 2003). Identification of characterisations attributes from each taxonomy might help in structuring the methods that relates customers' needs with accompanying tool – support, which can contribute to the development of efficiency improvisation in Islamic banking sector.

As for the starting point, adoption of quality tools in sustaining upward growth trend of Islamic banking would eventually lead to providing high quality services which can exceed the requirements of customers and create positive image. Application of an appropriate quality tool in focusing and coordinating customers' requirements in Islamic banking would not just allow adjusting the level of quality in the products and services rendered, but also create value (Mazur, 1993). Hence, in enabling much quicker respond to the needs and expectations of customers, incorporating Quality Function Deployment (QFD) in the Islamic banking system can help in formulating the quality criteria according to customers' preferences. Determining the products and services quality attributes through the calculation of technical significances and relationship matrix are parts of QFD methodology in regulating the sustainability level of growth trend in Islamic banking services. Emphasizing on analysis of the voice of customers is the essence of QFD and it demonstrates high prioritizations to the aspects of integration into every single business process. Maritan and Panizzolo (2009) also added that strategic QFD would create innovative strategies in order to achieve an organization's vision and this is true to the fact that the Islamic banking industry's goals in socio – economic justice and equitable distribution of income.

PROBLEM STATEMENT

Malaysia has becoming a hybrid market in the field of Islamic banking and it is crucial to sustain the upward growth trend in order to compete with the conventional banking system. Meanwhile, having the continuous efficiency improvement in the Islamic banking sector is important in order to facilitate the sustainable growth trend. As such, deployment of appropriate techniques that can be integrated into the Islamic Banking services in analyzing the strategic management improvement is rather paramount.

RESEARCH QUESTIONS & OBJECTIVES

1. What is the most significant quality system and improvement technique in defining key components in improving efficiency thus, sustaining growth of Islamic Banking?
2. How can a simplify Quality Function Deployment (QFD) technique to be integrated in the Islamic Banking sustainability?
3. To generate taxonomy for quality system and improvement techniques in identifying the key components in sustaining the growth trend of Islamic Banking in Malaysia.
4. To develop the simplify Quality Function Deployment (QFD) technique in integrating sustainable growth of Islamic Banking.

IMPORTANCE OF THE STUDY

1. Provide concrete suggestions on how Islamic Banks in Malaysia can sustain its upward growth trend.
2. Provide significant insights to the management with regards to the optimization of resources in improving efficiency.
3. Contributing knowledge and enhancement to the Islamic banking sector.
4. Contributing knowledge and enhancement to the quality system and improvement technology.

RESEARCH SCOPE

1. This study is focusing on the full-fledged and window Islamic banks in Malaysia.
2. Discussions are from retail customers perspectives and Islamic banking practices.
3. Focus will be more on efficiency improvement area such as originator knowledge base, governance, assets reliance and Shari'ah interpretations.

4. The groups of respondents that author focus on when collecting data are from the retail customers and Islamic banks management.

RESEARCH METHODOLOGY & FRAMEWORK

Once the background and problem statement have been clearly identified, the next step in pursuit of the research process is to determine the type of theoretical and conceptual framework that should be outlined to obtain accurate and relevant data.

Descriptive research is appropriate to be undertaken in confirming the components in Islamic banking system that needs to be improved. This research design would effectively permit the researcher and the management team to have a correlational study in order to discover the associations among the variables. From thereon, taxonomies of quantitative quality techniques such as Quality Function Deployment (QFD), Failure Mode Effect Analysis (FMEA), and Design of Experiments (DOE) will be generated and empirically assessed accordingly in order to suit to the Islamic banking industrial needs for efficiency improvement.

As the author is embarking to his business research study for the first time, he definitely has to explore and obtain primary data in comparing findings from different studies and from different time periods to examine trends of Islamic banking growth issues. Preliminary interviews with few respective Islamic bank managers will be conducted in order to obtain preliminary insights. As for the secondary data, it can be obtained from the Central Bank of Malaysia Annual Reports, Malaysian Institute of Economic Research, and other published business reviews accordingly.

For the purpose of this descriptive research design, a pilot study is also recommended in this study and it will involve in-depth interviews using the pre-design questionnaire since they are 'relatively unstructured, extensive interviews that encourage a respondent to talk freely and in depth about an undisguised topic' (Zikmund, 2003, p.133). The interviews with the respondents would probably include the dimensions of retail customers' perceptions and expectations pertinent to the usage of Islamic banking in their daily transactions.

At later stage, taxonomies of tools relevant to strategic analysis on improvisation will be developed and a new model based on Quality Function Deployment will be enhanced to suit the needs of Islamic banking in efficiency improvisation.

CONCLUSION

This study is designed to determine the key component contributing to the efficiency improvement of the Islamic banking in Malaysia. A comprehensive profile analysis will be done in order to get the actual data. Furthermore, all the key determinants that influence the contribution of Islamic banking growth trend such as knowledge base, services, assets reliance, and Shari'ah interpretation and governance factors will be investigated.

The development of the simplify Quality Function Deployment to suits Islamic banking services in Malaysia would in a way instil the level of confidence of the retail Islamic bank customers and eventually could capitalise bigger market share in the banking industry.

Therefore, a study needs to be undertaken in order to show that by developing a strong model based on Quality Function Deployment, a good vehicle in facilitating the efficiency improvement and driving Islamic banking forward is being driven on a right track.

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