Research Article

Service Quality and Customer Satisfaction in Islamic Bank:
A Conceptual paper

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Abstract

Service quality in the banking industry entails meeting the needs, requirements and wants of the bank customers, and the level of how well the service delivered matches the expectation of their customers. Jaiz Bank is facing the challenges of capital base, which is not strong enough for it to be among the large banks in Nigeria. The paper discussed the various dimensions of service quality and customer satisfaction in the banking industry. The study recommends that Jaiz Bank should not only provide quality services to satisfy its customers, but also aim at delighting their customers so as to attract more customers, establish and sustain a strong relationship that enables the bank creates competitive advantage.

1. Introduction

Service quality in the banking industry is all about meeting the needs, requirement and wants of the bank customers, and the level of how well the service delivered matches the expectation of their customers. It is generally agreed that service quality is an important issue facing the banking industry. According to Raddon (1987) found out that 40% of customers switching from one financial institution to another in the United states of America (USA) is as a result of service problem. According to Alfred & Addams (2000) also reported that 50% percent of total respondents they surveyed are of the opinion that they have stopped using a particular service provider because of poor performance of service delivery.
Jaiz Bank Nigeria limited is the only Islamic bank in Nigeria with a medium–sized, with the total assets value at fourteen (#14.1) Billion Naira which is equivalent to (US88.8 Million) with shareholders’ equity of about ten billion (#10 billion) which is equivalent to (US63.6 Million).

The Jaiz Bank Headquartered is in Abuja the capital city of Nigeria and the bank have strategy of expanding to other urban centers in all the thirty six (36) states of the federation. In pursuit of this goal of the Jaiz Bank, it has received approval to increase its shareholders capital from the current value to #14.3 billion which is equivalent of US$ 92.3 million Capital base, and the bank is expected to apply for a national license, once its meets the shareholder capital base. Which is not strong enough to make the bank to be among the large banks in the country and also the bank is a regional bank for now. The large banks has a minimum of twenty five billion naira as their capital base but notwithstanding the Jaiz Bank is fast growing financial services provider in Nigeria.

2 Literature Review

The concept of service quality and measurement of service quality is defined by Grönroos, (1984) as the fulfillment of customers’ expectations. According to Zeithaml, Berry, & Parasuraman, (1993) describe service quality as the gap between the customer s expectations of the quality of the service and their perception of the service experience. In the same vein service quality literature, consider expectation as the desires and wants of the customers (Parasuraman, Zeithaml, & Berry, 1985).

However, SERVQUAL consists of two parts, A 22 items section measuring service quality expectations within a specific banking sector and while the corresponding 22 items measuring the perception of service quality of a particular company in the service sector. The SERVQUAL can be defined as the differences between the expected customer perception of service quality and expected service quality.

Therefore, the innovators promulgated, developed and promoted SERVQUAL through a series of quite a number of publications (Parasuraman & Berry, 2004).for instance, as the discussion in the development, testing and potential applications of SERVQUAL, an instrument for measuring customer perceptions. Furthermore, in 1991 Parasuraman and Berry revealed findings from a follow-up study, in which they refined SERVQUAL.
Zeithaml, Berry, & Parasuraman,(1996) also reviewed literature extensively and compressively on the relationship between service quality and profitability and also examined empirically the relationship between consumer behavioral intention and service quality. They find out that improving service quality has serious impact on behavioral intentions (Parasuraman, Zeithaml, & Berry, 1986).

However, since its introduction in 1988 SERVQUAL has attracted quite considerable attention and have been given attention to study the service sector as education, banking, Telecommunication, health and other professions. Regardless of the service sector, the most common and used SERVQUAL examines the five main dimensions that have been consistently used and ranked by most customers to be the most significant in the service industry, which include the following:

- **Tangibles** simple means the entire appearance of physical facilities, equipment’s, personnel and communication media and material.
- **Reliability** can be defined as the ability to perform the promised service accurately and dependably.
- **Assurance** in the service sector can be defined as the knowledge and courtesy of employees and their ability to convey confidence and trust.
- **Responsiveness** can be defined as the willingness to help customers and provide prompt service delivery in the service sector.
- **Empathy** can be defined as the dimension which refers to the level of caring and individualized attention the business provides for its customers.

However, based on this instrument quite, a large number of published studies have been employed and evaluated by SERVQUAL (P A Dabholkar, Thorpe, & Rentz, 1996; Pratibha A. Dabholkar, 1996). Some of the previous empirical studies have adopted the original SERVQUAL instrument and while others have used a modified version of SERVQUAL. In the present, a modified SERVQUAL will be used. It was, moreover, an issue in a number of subsequent studies (Carman, 1990).

According to Beckett & Howcroft, (2000) measuring service quality in the banking industry implies that the strategy of consistently anticipating and satisfying the needs and expectations of the bank customers. Unlike other sector such as the manufacturing firms that are able to appraise the quality of their products.
objectively by the degree to which output can meet a technical specification, for the service firms, for example banks excellent service quality is present only if the customer perceives and values it.

Nguyen & LeBlanc, (1998) suggested in this connection: The problem of evaluating service quality is more difficult and highly complex than product quality due to the nature of intangibility. Weiermair, (2000). Similarly the challenges of lack of a common understanding of the definition of service quality in the banking sector they also consider this as one of the most constraint to the successful implementation of quality initiatives in the service sector (Aamodt et al., 2010).

2. Measuring Service Quality in the Banking Industry

In the banking sector, gap analysis has been accepted as a critical tool of measurement the current levels of service quality, (Lewis, 1991). A key existing challenge facing the banking industry is the determination of precise and clear definition of quality. However, service quality in the banking industry plays a vital role since it is directly linked to the profitability. Previous empirical studies have examined the relationship between service quality and profitability(Easton & Jarrell, 1998). And the result have shown a positive relationship between service quality and profitability(Daniel, 2002). Also examined empirically the relationship between service quality and financial performance amongst banks and credit union in Australian and they found out that all financial performance measures are positively correlated with service quality.

Generally, there are quite a number of empirical studies that deals with service quality in the banking industry and the application of the SERQUAL instrument in the commercial banks. Some of the studies review include the following:(Kettinger & Choong C. Lee, 1994; Kwan & Hee, 1994).

Accordingly a study conducted of a comparative between the Greek private and public banks. The result found out that the expectations of service received were marginally higher in the private banks than in the public banks in most of the dimension measured (Kangis & Voukelatos, 1997).

In another study in two major Indian banks investigated the applicability of an alternative measure of service quality in the banking sector. They found that the overall results give support to a multidimensional
construct of service that SERVQUAL scale provides greater diagnostic information than the SERVPERF scale (Angur, Natarajan, & Jr, 1999).

However, studied on service quality delivery of loan products, have also found out that substantial differences existed between the bankers and the customers of the bank in analyzing service quality in the UAE Islamic banks perceived the significant of service quality dimensions (Jun, Peterson, & Zsidisin, 1998; Pratt & Maahs, 1999).

Finally, also develop and tested an instrument of measuring service quality of commercial banks in the UAE based on the five dimensions of SERVQUAL. The factor analysis resulted in three dimensions: Human skills, tangibles and empathy. They found out that the three dimensions were valid and reliable. The human skills dimension consist mainly of items such as were originally included in the assurance and reliability dimensions. The tangibles consisted of items that belonged to the originally to the same dimension of tangibles. Finally, the empathy as a dimension consists of items that were part of the two original dimensions of responsiveness and empathy. The study also compared the significance of the three dimensions and found out that found skills are the most significant (Al-Tamimi & Al-Amiri, 2003; Jabnoun & Khalifa, 2005).

1. Service Quality in Islamic Banking Industry

Basically, there are few previous empirical studies that consider the application of SERVQUAL instrument in the banking industry (Juliana Arifin, Ahmad Shukri, & Zunaidah Sulong, 2013). Identify the banking behavior of Islamic bank customers in the state of Bahrain. The study captured a sample of three hundred banks customers. One of the most significant results in this study was that bank customer tend to be more satisfied with the products or service they use most, with the investment accounts receiving the highest satisfaction. The Islamic banks workers received the highest satisfaction among the elements of the service delivery system. Metawa, & Almossawi (1998) posit that in this study Islamic banks needs to design and implement a viable service quality programmers (Almossawi, 2001; Naser, Jamal, & Al-Khatib, 1999). Also studied the customer preference and satisfaction in Jordanian Islamic banks and the study mainly focus on the degree of customer awareness and satisfaction in an Islamic bank in Jordan. A sample size of 206 respondents was selected for the study and the analysis of the respondents revealed that a degree of
satisfaction with many of the Islamic bank products and services facilities, but basically dissatisfaction with some of the Islamic banks service (Naser et al., 1999).

2. Customer Satisfaction

According to Anderson and Fornell (1994) stated that "two quite different conceptualizations of the satisfaction construct can be distinguished: transaction specific and brand specific". Transaction-brand specific limits satisfaction to a specific purchase occasion (Oliver, 1980; Anderson and Fornell, 1994); similarly, cumulative satisfaction, customer-satisfaction simple refers to an overall evaluation based on many purchase and consumption experiences of a product over period. It can be view as a function of all previous transaction and specific satisfactions. (Anderson and Fornell, 1994; Aydin et al., 2005) Overall satisfaction is said to be a more fundamental indicator of the industry past, current and future performance this is because customers always make repurchase evaluations and based their decisions on their purchase and consumption experience to date and not only restricting to a particular transaction (Quinn, Lemay, Larsen, & Johnson, 2009).

Therefore, this will reduces the price sensitivity and the customer losses from regular fluctuations in service quality in the short term. The ultimate result is high customers’ loyalty to the banking industry.

Satisfaction refers to as the extent to which a customer will experienced a pleasurable level of consumption of a related fulfillment (Oliver 1997; Verhoef, Fransen, and Hoekstra 2002). Technically, customer satisfaction develops in the short term because of previous interactions with the service provider. (Geyskens, Steenkamp, and Kumar 1999) customer satisfaction can also be develops through repeated and positive reinforcement (Hennig-Thurau, Gwinner, and Gremler 2002). The impact of customer satisfaction in the development of strong customer brand relationships is a clearly argued by authors such as Storbacka, Strandvik, and Gronroos (1994), who observed that customer satisfaction is the customers affective and cognitive evaluation of the services provider based on all consumption episodes that the customer had with the service provider. Whenever there is a high level of customer satisfaction, it is an indication that a service provider consistently fulfills its service promise. (Delgado-Ballester and Munuera-Aleman 2001) and its means that the customers has built a strong level of confidence in the integrity and reliability of the industry (Vivek et al., 2012). Similarly, if in any way a customer is not satisfied with the
service, a deeply committed, emotionally and bonded relationship cannot occur in any way. (Crosby, Evans, and Cowles 1990; De Wulf, Odekerken-Schröder, and Iacobucci 2001; Roberts, Varki, and Brodie 2003). The ideal situation is that customer satisfaction is essential to the buyer and seller relationship (Crosby, Evans, and Cowles 1990). If a strong and enduring customer brand relationship is to be built, a customer must barely satisfied with the service provider (Moore & Bowden-Everson, 2012b). It is very significant that satisfaction is to be measure at a global evaluative level in order to ensure a proper understanding of the overall nature of the relationship.

Customer satisfaction is the central point in the study of customer loyalty in a business firm (e.g., Chan et al., 2003; Kenney & Khanfar, 2009). Also several studies have shown positive effects of customer satisfaction on purchase intention (e.g., Anderson and Mittal 2000; Garbarino and Johnson 1999; Heskett et al. 1994), referrals (e.g., Heskett et al., 2008), other studies on repurchase behavior intention (e.g., Anderson and Mittal 2000), on customers retention (e.g., Gustafsson, Johnson, and Roos 2005), on strong and sustainable relationship duration (e.g., C. L. Kwek, Lau, & Tan, 2010) on profit and return on investment (e.g., L. C. Kwek et al., 2010).

In the banking industry, customers satisfaction has been defined in a number ways for instance (Alpert, 1996) define it as a short term attitude of a customer that arises from the customers evaluation of the product or service experience. Elliott and Shin (2002) define it as the subjective outcome of the various outcomes and experiences at the banking institution. Quite a number of previous studies have shown that customer satisfaction is a significant predictor of customer loyalty. Customer satisfaction has been strongly linked to favorable outcomes such as positive word of mouth or recommendation by customers (Mavondo, Tsarenko, and Gabbott 2004), customers satisfaction increased revenue and reduced costs for the banking industry (Shah 2009), customer satisfaction and relationship continuity through customer undertaking continued purchase (Al-Alak 2006; Helgesen and Nesset 2007). Several studies have shown that a customer satisfaction has explains a large proportion of the variance in customers willingness to make recommendation of the banking product and services (Al-Alak 2006; Athiyaman 1997; Marzo Navarro, Pedraja-Iglesias, and Rivera-Torres 2005). The secondary customer loyalty shall have many benefits, which may follow from high levels of satisfaction such as the attraction of new customer, retention of existing customers to continue patronized, donation behavior from alumni and membership of alumni (Helgesen and
Nesset 2007). All the previous literature suggests that customers weigh prior satisfactions evaluations heavily in their decision to patronize banking institution providers’ (C. L. Kwek et al., 2010).

Customer’s satisfaction with the service delivery of quality products or services have been suggested and documented as the way and manner in which it will affecting the buyer decision with a relationship (Ndubisi, 2003; Anderson 1994; Fomell, 1992; Hirchman, 1970). Similarly according to Hirchman (1970), Richins (1983), and Singh (1988), whenever the customers are satisfied the likelihood of exit from negative word of mouth and the relationship is greatly reduced. This is in line with the confirmation and disconfirmation theory (Churchill and Surprenant, 1982; Oliver, 1980) this made a clear explanation that satisfaction is achieved when the real expectations are fulfilled (confirmed), that negative disconfirmation of any form of expectations will result in dissatisfaction, and that positive disconfirmation will result in to enhanced satisfaction. Lovelock, Patterson, and Walker (1998) identified the virtues of customer’s satisfaction: Firstly, customer satisfaction is inextricably linked to customer loyalty and relationship commitment. Secondly, highly satisfied customers spread positive word of mouth and in effect become a talking, walking advertisement for an institutions whose service has pleased them. Thirdly, highly satisfied customers may be more forgiving. i.e. a customers who has enjoyed good service delivery many times in the past is more likely to have the belief that any service failure is just a deviation from the norm. Therefore, it is may take more than one unsatisfactory incident for a strongly loyal customers to really change his or her perceptions and consider switching to an alternative service providers or supplier. Other studies have proof that delighted customers are less susceptible to competitive offerings. For instance, Seines (1998) found that customers’ satisfaction had a direct effect on purchase continuity.

3. Conclusion

The challenges of banking industry imply that service quality attributes are needed to satisfy the bank customers. The main reason is to raise the bank customer satisfaction with regard to significant attributes in order to establish a quality service to the bank customer, more especially considering the fact that Jaiz Bank is entire banking system to the customers, so there is the for rapid skimming strategy in order to attract and retain customers relationship.
4. **Suggestion for Further Study**

This study is purely conceptual which mainly focus on service quality in Islamic bank and future study should consider empirical study in order to test the bank customer’s perception on service quality dimensions in Islamic bank.

**References**


