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Customer Satisfactions on Islamic Banking Services in Almadinah City, Saudi Arabia

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Author's contribution

The sole author designed, analysed, interpreted and prepared the manuscript.

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ABSTRACT

Providing quality services is a key element to compete in the banking industry. Islamic banks showed significant expansion in the past decades worldwide. In the current study, customer satisfaction towards services provided by Islamic banks in Almadinah city, Saudi Arabia was investigated. A total of 292 customers of full-fledged Islamic banks were recruited in the study. Customer satisfaction was measured using a self-administered questionnaire. The results showed acceptable levels of customer satisfaction toward Islamic banking services (85%). In addition, personnel, image, reliability, and compliance with Islamic law were the most important service dimensions that affect customer satisfaction. Finally, gender differences were noticed with respect to customer satisfaction with females seemed to be less satisfied than males. The present findings provide positive feedback to the Islamic banking sector in Almadinah city to improve customer satisfaction of their services.

Keywords: Almadinah; Islamic banks; services; satisfaction; Saudi Arabia.

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1. INTRODUCTION

In the recent years, the banking sector has introduced a wide range of services including online services such as governmental payments and wire transfers. As a response to such innovations, customers are shifting from the traditional banking to modern banking systems [1]. To attract customers and to gain their satisfaction, banks strive to offer high quality and wide variety of services [2]. Customer satisfaction in service-based commerce, such as banking is among the top priorities because of its importance in business sustainability, development and competition capabilities. High quality banking services require trained and qualified personnel in a well-planned, systemic manner. Therefore, in the current competitive business environment and the race by banks to expand and increase the quality of services, measuring customer satisfaction provides positive feedback that will significantly improve bank's performance. This study aimed at understanding customer satisfaction towards services provided by Islamic banks in Almadinah, Saudi Arabia.

Banks that operate under Islamic law were established in the Kingdom of Saudi Arabia (KSA) in 1985 [3]. Currently, KSA has several Islamic banks as well as banks that offer Islamic banking windows [4]. In addition, KSA hosts one of the biggest Islamic bank in the world (Al-Rajhi) [5], making this country ideal one for examining customer satisfaction with the services provided by Islamic banks. In addition, the study was conducted in the Muslim holy city, Almadina Almunawara, which is the main city and the center of the Madinah province located in the Hejaz region of KSA.

1.1 Study Objectives

The main objective of the current study was to investigate customer satisfaction towards services provided by full-fledged Islamic banks in Almadinah city, Saudi Arabia. The second objective was to examine factors that might affect customer satisfaction level. The third aim was to determine the impact of customers' perception about compliant of the banking practices to the Islamic law on customer satisfaction level.

1.2 Literature Review

This section covered several of the previous studies that examined the satisfaction of Islamic

bank customers to their services. Studies conducted in KSA were reviewed first and then studies conducted elsewhere.

1.3 Studies on Banks Customer Satisfaction Conducted in KSA

A study examined factors that affect the level of customer satisfaction provided by Al Rajhi Bank in Qassim region, Saudi Arabia. The study included 184 customers and found that factors such as reliability, efficiency, and responses to client inquiries play an important role in achieving customer satisfaction [5]. Two additional recent studies showed acceptable levels of customer satisfaction of Islamic banks in Saudi Arabia and the levels were comparable to that of conventional banks [4,6]. A study of Aljasser and Sasidhar (2015) examined demographic factors that impact the satisfaction perceptions of customers of banks in Saudi Arabia. The study included 449 customers and revealed that male customers had significantly higher satisfaction than female customer with online and mobile banking applications [3]. In addition, level of education and income significantly associated with male, but not female satisfaction [3].

A different investigation that was conducted on 276 customers from Riyadh city, the capital of Saudi Arabia revealed that tangibles was the only factor that significantly linked to customer satisfaction, whereas factors such as empathy and responsiveness showed a positive relationship with customer satisfaction, however, they did not research statistically the significant level [7]. Another study that was conducted also in the Saudi capital showed that tangibles and reliability were the most influential factors to enhance customers' overall probability of satisfaction to online services provided by banks in the city [8]. Finally, a study that investigated consumer perceptions of Islamic banks in Saudi Arabia showed that the customers were generally satisfied with the full-fledged Islamic services. However, customers perceive that Islamic banking practices were not fully compliant with Islamic law and they disapprove of the window Islamic banking by the conventional ones [9].

1.4 Studies on Islamic bank's Customer Satisfaction Conducted in Other Countries

A recent study conducted in Pakistan and included 269 subjects showed that expectation of

tangibles, understanding of customer needs, and responsiveness to consumer inquiries were the most important factors that affect Islamic banks with respect to customer satisfaction [10]. A second study from Pakistan found good awareness and satisfaction of customers with respect to products and services provided by Islamic banks [11]. A Malaysian study that included 200 customers revealed that tangibles, convenience and speed were closely linked to customer satisfaction toward Islamic banking services [12]. In a different study from the same country showed positive relationships between customer satisfaction and factors such as personnel and images of the Islamic banks, quality and accessibility of offered services [13].

A study from Bangladesh that included 385 customers from 6 different Islamic banks showed that personnel, service capability, and social responsibility were strong indicators of customer satisfaction [14]. Customers of Islamic banks in Tunisia had positive perceptions of the Islamic banks' provided services that capable of competition with conventional banks. However, participants expressed their concerns regarding staff skills and financing price and return on savings of Islamic banks [15]. Finally, a study conducted on Kuwait Finance House reported acceptable satisfaction level of most services provided by the bank. In addition, the customers pointed that more work should be done to improve the appearance, architecture, and the internal design of the bank branches. The customers also highlighted the need to train staff to handle financial inquiries of customers over the phone [16].

2. MATERIALS AND METHODS

2.1 Subjects

The study is cross-sectional and involved the use of self-administered questionnaire to examine customer satisfaction of Islamic banks in Almadinah Almunawara city. Almadinah is the main city and the center of the Madinah province located in the Hejaz region of Western part of Kingdom of Saudi Arabia. The population of Almadinah city is about 1.8 million. The city hosts most of the banks that operate in the Kingdom, including Islamic and the traditional ones. Participants from Almadinah city were invited to participate in the study using social media applications such as WhatsApp and Facebook. The Research Committee at the Faculty of Business Administration at Taibah University

approved the study. A total of 292 Islamic bank customer completed the online administered questionnaire.

2.2 The Study Instrument

The implemented questionnaire was adapted from several previous studies that examined satisfaction of customers toward bank services including Islamic ones [10,11,13,17]. The questionnaire was prepared in Arabic and validated by piloting it to about 20 customers before applying it to participants. The questionnaire clarity and reading comprehensibility were also considered in this step. For all instrument items, the concordance in the responses of the customers was more than 95%. The instrument was divided into two domains. The first domains asked about demographics of the participants that included age, gender, educational level and duration of using Islamic banks. The second domain asked questions about satisfaction of customers for services provided by Islamic banks. This domain consisted of 19 items that covered satisfaction with services and reflect the following dimensions: personnel, image, reliability, accessibility, trust, empathy and compliance with Islamic law. The items in this domain utilize the five-point scale (1 strongly disagree to 5 strongly agree) and it has been used to measure customer satisfaction [17]. The Arabic used questionnaire is available upon request. Google forms were used to prepare the instrument and most of the items were indicated as required fields. A cover page that contained instructions, the purpose of the study and contact information of researcher was included in the instrument. The study was conducted between December of 2018 and March of 2019.

2.3 Data Analysis

Collected data were downloaded from Google forms into an EXCEL sheet and then transferred into the SPSS sheets (version 21) for analyses. Analysis of satisfaction items was performed as previously described [17] using crosstab, correlation and regression tests. Data on age, customer duration, and satisfaction score were expressed as mean \pm SD. $P < 0.05$ was used to indicate statistical significance.

3. RESULTS AND DISCUSSION

A total of 292 Islamic bank customers from Almadinah city, Saudi Arabia agreed to

participate in the study. Sample characteristics are shown in Table 1. The mean age of the participants was 33.4 ± 11.7 years. The majority of participants were females (55.1%), married (61.6%), hold university degrees (bachelor or higher degree: 60.9%), worked in the private sector (53.7%), and with a monthly income of less than 5000 Saudi Riyal. The average customer duration with Islamic banks was 8.2 years. About 61% of the customers have at least 5 years of duration with Islamic banks (Table 1).

Fig. 1 shows that about 85% (n=248) of the sample expressed acceptable level of satisfaction toward the services provided by the Islamic banks. However, 15% (n=44) showed low level of satisfaction. To understand customer satisfaction, data were analyzed according to the demographics of the sample (Table 2). Factors such as gender and duration with Islamic banks were associated with customer satisfaction. Females were less satisfied than male customers

($P=0.048$). In addition, customers with long duration with Islamic banks (>10 years) were more satisfied than customers with shorter durations ($P= 0.001$). Other factors such as age ($P=0.54$), marital status ($P=0.227$), educational level ($P=0.649$), type of employment ($P=0.834$) and income ($P=0.613$) were not significantly related to customer satisfaction.

Table 3 shows the mean satisfaction score for service parameters: personnel, image, reliability, accessibility, trust, empathy and compliance with Islamic law. Most parameters showed good mean satisfactory scores that range between 3.6 and 4.32. The highest score was for accessibility (4.32 ± 0.81), whereas the lowest score was for personnel (3.62 ± 0.97). The average satisfaction score for all parameters was 3.92 ± 0.14 . This reflects an acceptable satisfaction level. This range is similar to previous studies conducted in the region [8,9,16].

Table 1. Characteristics of study participants

Parameter	Total sample = 292
Age: (mean \pm SD)	33.4 ± 11.7
Age groups: N (%)	
< 30	109 (37.4)
30-40	88 (30.1)
41- 50	60 (20.5)
> 50	35 (12.0)
Gender	
Male	131 (44.9)
Female	162 (55.1)
Marital status	
Single	112 (38.4)
Married	180 (61.6)
Educational level	
Secondary School or less	91 (31.2)
College degree	23 (7.9)
BSc degree	140 (47.9)
MSc/PhD	38 (13.0)
Employment	
Governmental sector	138 (47.3)
Private sector	154 (53.7)
Monthly income (Saudi riyal)	
< 5000	172 (58.9)
5000-10000	46 (15.8)
10001-15000	66 (22.6)
> 15000	8 (2.7)
Customer Duration with Islamic Bank (year \pm SD)	8.2 ± 6.9
< 5 year	113 (38.7)
5-10 years	80 (27.4)
11-15 years	55 (18.8)
> 15 years	44 (15.1)

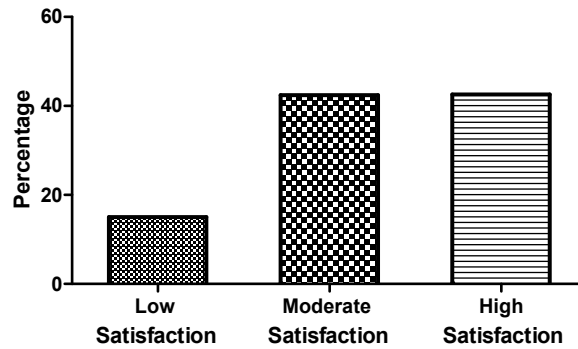


Fig. 1. Customers satisfaction level to Islamic banks in Almadinah city, Saudi Arabia

Table 2. Customer satisfaction according to demographic parameters

Parameter	Low	Moderate	High	P value
Age groups: N (%)				
< 30	13 (11.9)	49 (45.0)	47 (43.1)	0.540
30-40	15 (17.0)	32 (36.4)	41 (46.6)	
41- 50	12 (20.0)	28 (46.7)	20 (33.3)	
> 50	4 (11.4)	15 (42.9)	16 (45.7)	
Gender				
Male	12 (9.2)	53 (40.5)	64 (50.3)	0.048
Female	30 (18.6)	71 (44.1)	60 (37.3)	
Marital status				
Single	12 (10.7)	48 (42.9)	52 (46.4)	0.227
Married	32 (17.8)	76 (42.2)	72 (40.0)	
Educational level				
Secondary School or less	10 (11.0)	40 (44.0)	41 (45.1)	0.649
College degree	3 (13.0)	12 (52.2)	8 (34.8)	
BSc degree	24 (17.1)	54 (38.6)	62 (44.3)	
MSc/PhD	7 (18.4)	18 (47.4)	13 (34.2)	
Employment				
Governmental sector	19 (13.8)	60 (43.5)	59 (42.8)	0.834
Private sector	25 (16.2)	64 (41.6)	65 (42.2)	
Monthly income (Saudi riyal)				
< 5000	26 (15.1)	79 (45.9)	67 (39.0)	0.613
5000-10000	9 (19.6)	16 (34.8)	21 (45.7)	
10001-15000	9 (13.6)	26 (39.4)	31 (47.0)	
> 15000	0 (0.0)	3 (37.5)	5 (62.0)	
Customer Duration with Islamic Bank (year ± SD)				
< 5 year	22 (19.5)	50 (44.2)	41 (36.3)	0.001
5-10 years	19 (23.8)	30 (37.5)	31 (38.80)	
11-15 years	3 (5.5)	22 (40.0)	30 (54.5)	
> 15 years	0 (0.0)	22 (50.0)	22 (50.0)	

Table 4 shows correlational analysis between customer satisfaction score and different examined parameters of provided services. Significant differences were found between customer satisfaction and most parameters, namely: personnel (P<0.001), image (P<0.001), reliability (P<0.001), trust (P=0.043), empathy (P=0.041), and compliance with Islamic law

(P<0.001). Regression analysis (Table 5) showed that only personnel (P=0.013), image (P<0.001), reliability (P<0.001), and compliance with Islamic law (P<0.001) were significantly associated with customer satisfaction.

In the current study, customer satisfaction towards services provided by Islamic banks in

Almadinah, Saudi Arabia was investigated. The findings indicate acceptable levels of customer satisfaction of Islamic banks in the city. About 85% of the sample expressed acceptable level of satisfaction toward the services provided by the Islamic banks. This reflects an acceptable satisfaction level. This range is similar to previous studies conducted in the region [8,9,16].

However, about 15% showed low level of satisfaction. Achieving high customer satisfaction is essential to prevent attrition or churn among customers [18]. The low satisfaction level expressed by some customers might be used as a factor in customer churn prediction model [19]. Islamic banks are therefore, urged to strengthen the campaign by providing efficient, customer focused and innovative services to satisfy all of their customers and to limit customer churn.

The results showed that factors such as gender and duration with Islamic banks were associated with customer satisfaction. In addition, females were less satisfied than male customers. According to PwC global using Middle East Islamic Finance survey, gender differences were noticed in the preference to services provided by Islamic banks (PWC, 2014). A study that was conducted in Zimbabwe found a strong impact of gender on customer satisfaction in the banking sector, as female customers were more concern about the performance of bank personnel and appearance of bank facility than male customers [20]. Gender differences in customer satisfaction with bank services were also noticed in a Czech Republic study that found females to give high rates to the quality and accesses to the services provided by the bank than male customers [21]. Gender differences in the perception to services provided by banks were also reported in studies conducted in Greece [22], Kenya [23] and Lithuania ([24]. In Almadinah city, the banks usually have separate branches that serve female customers. However, such branches are few and not well distributed when compared to male branches. This is could be one of the reasons behind the finding of this study that female customers are less satisfied than male customers. With respect to customers duration, it is logical that customers with longer duration to be loyal to the bank and to be highly satisfied. In support of this finding, a study that was conducted in North Cyprus showed that good and firm relations, and trust are detrimental factors for satisfaction of customers in the bank sectors [25]. Similarly, good and firm relationships were found to have both a strong

impact on banks customer satisfaction [26]. The association between long customer durations and satisfaction suggest the importance of establishing good relationship and trust between the bank and its clients.

Table 3. Average score ± SD of service quality parameter

Parameter	Mean Score ± SD
Personnel	3.62 ± 0.97 V4
Image	3.95 ± 0.86 V18
Reliability	3.68 ± 0.90 V16
Accessibility	4.32 ± 0.81 V11
Trust	3.89 ± 1.05 V12
Empathy	4.07 ± 0.89 V14
Compliance with Islamic Law	3.95 ± 1.02 V1

Table 4. Correlational analysis between Islamic banks customer satisfaction and service parameters

Parameter	Customer satisfaction	P value
Personnel	0.355	0.000
Image	0.385	0.000
Reliability	0.497	0.000
Accessibility	0.026	0.653
Trust	0.118	0.043
Empathy	0.120	0.041
Compliance with Islamic Law	0.486	0.000

The results showed that personnel, image, reliability, and compliance with Islamic law were significantly associated with customer satisfaction. These results were consistent with several previous studies that examined customer satisfaction toward the services provided by Islamic banks. For example, studies that were conducted in Malaysia, Bangladesh and Tunisia showed strong impact of personnel on Islamic banks customer satisfaction [13-15]. Similarly, image and reliability of Islamic banks have been shown to be associated with customer satisfaction [5,7,8,10,16]. Finally, A strong relationship between customer perception of bank compliance with Islamic law and customer satisfaction level was reported [9]. Thus, the current findings are in agreement with most previous related studies.

The current study examined customer satisfaction to in full-fledged Islamic banks. Several conventional banks have Islamic windows in Almadinah city. Therefore, examining customer satisfaction in these banks is strongly recommended in future studies.

Table 5. Multiple regression analysis of satisfaction parameters

Model	Unstandardized coefficients (B)	Standardized coefficients (Beta)	t value	Significance P value	Confidence interval
Constant	-0.716		-1.522	0.129	-1.64-0.210
Personnel	0.137	0.128	2.49	0.013	0.029-0.246
Image	0.222	0.184	3.74	0.000	0.106-0.339
Reliability	0.264	0.227	4.10	0.000	0.137-0.390
Accessibility	-0.035	-0.027	-0.566	0.572	-0.155-0.086
Trust	0.024	0.024	0.510	0.611	-0.068-0.116
Empathy	0.016	0.013	0.277	0.782	-0.096-0.127
Compliance with Islamic Law	0.242	0.238	4.369	0.000	-1.64-0.210

4. CONCLUSION

In the current study, customer satisfaction towards services provided by Islamic banks in Almadinah, Saudi Arabia was investigated. The findings indicate acceptable levels of customer satisfaction (85%) to Islamic banks. In addition, factors such as image, reliability, personnel and compliance to Islamic law were the most important factors that affect satisfaction with provided services. Finally, gender differences were noticed with respect to customer satisfaction with female customers seemed to be less satisfied than males.

COMPETING INTERESTS

Author has declared that no competing interests exist.

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