

Service Quality and Customer Satisfaction in Islamic Banks of Middle East: Literature Survey

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Purpose – The purpose of this paper is to review some of the key studies that are published in the last three decades on banking service quality with particular attention to the Middle Eastern countries, and provide some future research directions.

Design/methodology/approach – Literature review.

Research limitations/implications – This paper reviews leading, current studies on conventional and Islamic banking in the Middle East, and provides future research directions for scholars and practitioners alike. Future research should address each of the research questions as identified in this paper with empirical data/evidence.

Practical implications – This paper reviews leading, current studies on conventional and Islamic banking in the Middle East and provides future directions of research for scholars and practitioners alike. Future research should address each of the research questions the authors identify with empirical data and scientific evidence.

Originality/value – This paper would be useful for guiding the development and resolution of researchers' and practitioners' research questions and could help to strengthen the banking industry in Middle Eastern countries.

Keywords *Literature review, Research agenda, Middle East, Service quality, Islamic banking, Conventional banking*

Introduction

Islamic banking has gained a lot of popularity in the last two decades. It not only grows in Islamic countries but in the United States, the United Kingdom and other Western countries as well. (Naser, Jamal & Al - Khatib, 1999) The Islamic banking portals of big international conventional banks have now also been raised. Over Islamic countries, international conventional banks with Islamic windows face some problems. Introduction Over recent decades Islamic banking has not only expanded in Islamic countries but also in western countries such as the United Kingdom and France. Islamic banking is in tough competition with the traditional banking sector because the mainstream banking system has strong roots and is growing to people. In order to retain a strong market position, Islamic banks need to improve their service quality problems to satisfy their clients. Islamic banking seeks to offer high - quality products and services to maintain customer loyalty and attract more customers. EOLBREAK Harris and Goode (2004) claim that financial institutions will live up to the expectations of their customers in order to keep them healthy, these buyers tend to pay more to provide high - quality products and services. The more consumer spends, the more income the organization generates. Quality services help improve income and reduce costs in order to attract more customers (Griffin, 1995). Wong and Sohal (2003) state that one successful strategy to keep customers loyal to the corporation, including Islamic banking, is the provision of quality services to consumers.

Literature review

Islamic banking is now the world's growing trend. Islamic banking, as opposed to traditional banking, provides multiple goods and services. The importance of service quality

in retaining existing customers and attracting new ones in this competitive environment was acknowledged by Islamic banks (Wang et al. 2003). Islamic banking has been shown to grow globally over the last two decades. Therefore, customer satisfaction with the development of this industry becomes an important aspect and field of study (Holliday, 1996). EOLBREAK The views of various researchers contested each other. One group of researchers (Parasuraman et al. , 1985, 1998, 1991, 1994; Carman, 1990; Bitner, 1990) claims customer satisfaction is the originator of service quality. Whereas the other group (Cronin and Taylor, 1992, 1994; Bolton and Drew, 1991; Anderson and Sullivan , 1993) disagrees with the first group and considers that customer satisfaction is the result of quality services. Oliver (1980) considers that quality services do not correspond to customer satisfaction. Several researchers believe that there is a correlation between service quality and customer satisfaction. There are important relations regarding customer satisfaction and service quality (Cronin and Taylor, 1992; Taylor and Baker, 1994). EOLBREAK Richens (1983) and File and Prince (1992) addressed whether customers will be able to deal with the same bank if they are satisfied with the Bank 's services and vice versa. Satisfied customers also leverage the bank's transactions with third parties. Haron et al. (1994) Reviewed Islamic Banking customer service requirements. A study was conducted in Malaysia on Muslims and non - Muslims. The results conclude that the Bank's quick and effective services, friendly staff, confidentiality and speedy transaction are included in customer satisfaction criteria. Few authors describe the main source of client satisfaction with the institution as the quality of service and the service provided by the banks (Naser et al. 1999). The most important things for customer loyalty include bank, rivalry between service providers and convenience. EOLBREAK They conducted a study in Masood and Bora (2009) on consumer loyalty and Islamic banking preferences. The results show that most respondents have been very satisfied with a number of Islamic banking factors, including the name and logo of the Islamic banks, customer privacy, customer interaction and physical features such as the internal layout, furniture suitability, and the architectural design of the bank.

Precedents and implications of service quality

A number of studies have established efficiency of service metrics, which are intended to be applied across cultures and banks. These interventions focused on studies on the SERVQUAL model (Parasuraman et al., 1985, 1988) and the development of models that

specifically measure the quality of service in the banking sector and are specific to its characteristics (Zhou, 2004). For example, Zhou (2004), using a sample of 316 American respondents, assessed the SERVQUAL measure. The results of this research showed that four main factors contribute to the quality of banking services in the USA, including the willingness to correct mistakes, thoroughness and accuracy of service, consistency/reliability and ability to know. Similarly, Karatepe et al. (2005) used a 20-item survey to demonstrate the four essential components of service quality in the banking industry in northern Cyprus, service environment, interaction quality, empathy and reliability. Guo et al. (2008) carried out a 31-point survey of 800 Chinese respondents to develop a framework for Chinese Banking Service Efficiency (CBSQ). EOLBREAK The BANKSERV measurement by Avkiran (1994) was also based on the SERVQUAL principles and consisted of 17 items and four dimensions. The dimensions included employee behavior (service and presentation of bank personnel), credibility (trust between bank personnel and customers), communication (verbal and written interactions between bank personnel or customers), and accessibility to customers (personnel 's ability to serve customers). A later study examined the effect on credibility of three such dimensions (personnel behavior, communication and customer accessibility for teller services) and identified the behavior of employees as the most critical aspect of BANKSERV. Avkiran (1999) EOLBREAK A SYSTRA-SQ measure, consisting of four dimensions of quality of service including system quality, quality behaviour, quality of the machine and transactional precision, was developed by Aldlaigan and Buttle (2002). System quality treats the service organisation, including attributes such as customer listening, easy accessibility, speed of response and organizational appearance. The quality of behavior refers to the nature of the service performance of the employees. The quality of the machine is based on the reliability and performance of machines within the company. Finally , customer perceptions of accuracy with regard to service and employee output are concerned about service transaction accuracy. EOLBREAK In the context of the Greek retail banking sector, Tsoukatos&Mastrojianni (2010) developed a 27-point index that combines the SERVQUAL (Parasuraman et al., 1988) and BSQ (Bahia and Nantel, 2000). This index is known as the BANQUAL-R measure. The BANQUAL-R has five dimensions: empathy, assurance, efficiency, reliability and reliability. The BANQUAL-R index includes four of five SERVQUAL measures (assurance, empathy, reliability and response as part of efficiency) and elements specific to the BSQ model, including efficiency and trust. EOLBREAK Research shows that the Islamic banking industry is based on Islamic principles, priorities and values that distinguish it from conventional banking (Nazim and

Ibrahim 2012). As a consequence of these, a variety of empirical studies have developed service quality measures unique to Islamic banking (see e.g. Al-Tamimi and Al-Amiri, 2003; Hossain and Leo, 2009; Othman and Owen, 2001). The CARTER (Othman and Owen, 2001) is a clear alternative to the studies conducted on the Kuwait Finance House (Abedniya et al., 2011; Haron and Azmi, 2008; Kumar et al., 2010; Taap et al., 2010). The CARTER model comprises 34 items and six dimensions that comprise compliance (adherence to Sharia law requirements), insurance (employee confidentiality and communication); reliability (the capacity of the bank to deliver superior performance in accordance with the imposed standards); The BSQ Index Model (developed in a Malaysian context) is similar to that of Abdullah et al.(2011), which includes 29 items and three dimensions, including systemisation, reliable communication and responsiveness. A new study on Iranian bank customers has shown that the main dimensions of banking service quality in Iran include security and reliability (Ebrahimi and Moghadam, 2012).

Banking service quality, satisfaction, and customer behaviour in the Middle East and GCC countries

Comparative research in the Middle East and GCC countries assessed conventional and Islamic banking, using various approaches to assess the nature of the service standard in such banks and customers' attitudes about the quality of the service. Although certain research had leveraged the CARTER paradigm (Othman and Owen, 2001), the use of the SERVQUAL model was mainly concerned by existing research (Chaker and Jabnoun, 2010; Estiri et al, 2011; Jabnoun and Khalifa, 2005; Parasuraman et al., 1988). For example, a questionnaire containing 30 items and five dimensions of the SERVQUAL model (trustworthiness, responsiveness, tangibility, consistency and empathy), as well as two additional dimensions called "image" and "values" was given in the course of a report by Jabnoun and Khalifa (2005) to 115 customers of conventional banks and to 115 Islamic banks in the United Arab Emirates. Through a factor analysis, the authors have calculated that the image, reliability, beliefs and personal skills dimensions lie shortcomings for conventional banks. For Islamic banks, values and personal skills deficits have been identified. EOLBREAK Jabnoun and Al Tamimi (2003) also used the SERVQUAL (although modified) model to measure consumer perceptions of the quality of service in United Arab Emirates (UAE) commercial banks. The authors find that the human skill dimension is a stronger predictor of service perceptions than empathy and tangible dimensions in conventional banks in the UAE. The latter dimensions were however identical

in terms of their ability to predict customer perceptions of the efficiency of service. EOLBREAK In another standard of service review, Estiri et al. (2011) established a conceptual model for Islamic banks in Iran. This model proposed a link between quality of value proposition and quality of delivery which influenced customer happiness specifically (Estiri et al., 2011). The researchers claimed that empathy and communication, in comparison to the results of Jamal and Naser (2002), were the key determinants of customer satisfaction (Estiri et al., 2011). Previous research has also shown that disparities in gender influence both considered standards of service level and efficiency of service evaluation. For instance, Raven and Welsh (2004), using the SERVQUAL model, found that cultural and gender differences are causing major changes in service quality expectations and perceptions among Lebanese and Kuwaiti clients. In particular, this study showed that men not only had higher levels of service quality than women, but also perceived a higher degree of service quality in terms of assurance and reliability. In addition, Raven and Welsh (2004) found that customers in Kuwait have a poorer understanding of service quality than customers in Lebanon owing to a more fatalist culture. EOLBREAK Chaker and Jabnoun (2010) published a study on the quality of service in Qatar's Islamic banking industry based on previous assessment systems by Jabnoun and Khalifa (2005) and Parasuraman et al. (1991) in order to establish a definite model for controlling and handling these issues further. The dimensionality of service quality metrics is determined by Chaker and Jabnoun (2010). In comparison, the authors examine the degree to which common metrics are obstacles to quality of service in this setting. Such studies revealed that the quality of service directly influenced by three main factors, the absence of empowerment, centralisation and transition leadership. Unlike other studies in this area (such as Taap et al. 2011), the Chaker&Jabnounanalyzes (2010) concentrated on barriers (rather than contributors) to service quality, revealing complex cultural and differentiating patterns (e.g. authoritarian management, low workers empowerment).Comparative research in the Middle East and GCC countries assessed conventional and Islamic banking, using various approaches to assess the nature of the service standard in such banks and customers' attitudes about the quality of the service. Although certain research had leveraged the CARTER paradigm (Othman and Owen, 2001), the use of the SERVQUAL model was mainly concerned by existing research (Chaker and Jabnoun, 2010; Estiri et al, 2011; Jabnoun and Khalifa, 2005; Parasuraman et al., 1988). For example, a questionnaire containing 30 items and five dimensions of the SERVQUAL model (trustworthiness, responsiveness, tangibility, consistency and empathy), as well as two additional dimensions called "image" and "values" was given in the course of a report by Jabnoun and Khalifa

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Al -Tamimi and Al-Amiri (2003) assessed the efficiency of service in UAE -based Islamic banks. Hossain and Leo (2009) have have assessed consumer perceptions of service efficiency in retail banks in Qatar in a similar way and have find that customer perceptions of service quality in the most measurable and competence aspects have been strongly affected. EOLBREAK Finally, Ebrahimi and Moghadam (2012) tried to decide the most important facets of Iranian banks ' service quality. The investigators have demonstrated by an study of variation and correlation studies that accuracy and reliability are the most critical facets of service quality. They also showed that riba -free banking contracts and banking controls based on Islamic principles are relevant for Islamic branch customers. EOLBREAK Besides exploring service quality, scientists have also used customer satisfaction as a strong indicator of the bank 's success and have found that fast service, the availability of self -banking programs and the level to which bank personnel are helpful and courteous are strong predictors of the loyalty of bank customers. For instance, Al-Eisa and Alhemoud (2009) have followed up on previous studies and used a multi-attribute approach proposed by Shin and Elliott (2001) to identify the major predictors of customer satisfaction in Kuwaiti retail banks (see Amen and Isa, 2008; Cronin and Taylor, 1992; Mohd Kassim and Souiden, 2007; Parasuraman et al., 1985. They also tried to determine the overall satisfaction of the customer with these banks. Al-Eisa and Alhemoud (2009), measure customer perceptions of the quality of services of these banks and identify quick service, the availability of self -banking services and how helpful and courteous bank personnel are to be significantly linked to customer satisfaction. They also found that 81% of customers use retail banks in Kuwait are happy with at least the services offered by their banks. EOLBREAK Jamal and Naser (2002) implemented measurements referring to core, relativist and tangible aspects of service quality that have been taken from previous research in another analysis designed to detect customer satisfaction predictors (see Levesque and McDougall, 1996; Naser et al., 1999). The authors found that the interaction and central dimensions of service quality influenced customer

satisfaction considerably. However, the tangible dimension was related to satisfaction. Aburoub et al. (2011) explored the correlation between Jordanian commercial banks' internal marketing activities and their customer's view of service quality and satisfaction. The results of this study show a positive correlation between the internal marketing of a bank and the quality of its service. Many dimensions, such as tangibility, empathy, assurance, sensitivity and durability were also related to service quality. EOLBREAK More data was uncovered by Naser et al. (1999), who analyzed Jordan Islamic Finance and Investment Bank's customer knowledge and satisfaction (JIBFI), demonstrating that many are pleased with the name, picture and willingness to have anonymity of an Islamic bank. Naser et al. (1999) also found that the majority of respondents had a reputation for banked JIBFI. Nevertheless, respondents also demonstrated significant disappointment with other services of the Islamic Bank.

Moreover, while the respondents reported they were aware of many unique Islamic financial items like income sharing deals (Murabaha), equity involvement (Musharaka) and financial contracts (Mudarabaha), the findings did not indicate that these goods had ever been used. In a linked study, Al-Wugayan et al. (2008) studied consumer satisfaction, consumer satisfaction and market share, but did not disclose the link between customer happiness and market share. The authors, however, established a strong correlation between customer loyalty and market share. Consumer loyalty over Kuwaiti banks is obviously not based on customer satisfaction but on variables such as relationships, pricing and special deals. EOLBREAK Other experiments have gone further, investigating the impact of other outcome factors on support efficiency and satisfaction. Over example, Mohd Kassim and Souiden (2007) investigated how image, customer expectations of standard of service and satisfaction influence the retention of customers in retail banking in the United Arab States. The writers find that price is not a particularly good indicator of customer satisfaction on the basis of the SERVQUAL model and of previous research in this area (Bloemer et al., 1998). The results of the analysis also suggest that identity factors are far more related to maintenance of customers in traditional banks. EOLBREAK The customers of Islamic banks in Bahrain, Metawa and Almosawi (1998) were analyzed with their satisfaction and behaviour in order to recognize features and conduct trends of these customers. The authors found that for more than six years 50 percent of customers established relationships with their current bank. Most customers shared their satisfaction with conformity with the Islamic values of their bank, accompanied by the levels of return earned by their banks. In relation to customer retention, Yavas (1988) examined key behavioural aspects of customers of the Saudi bank and found that the reputation, expertise, transactions and staff relationships of a bank are core predictors

of a customer's choice. Comfort (closeness to banks) has also exerted a strong influence on the preference of a bank for a customer. EOLBREAK Hegazy (1995) also conducted research on the bank's choice through empirically contrasting the criteria used by customers in the selection of bank facilities from the research of Islamic or classical banks in Egypt (Anderson et al., 1976), and (Evans, 1979). Hegazy showed significant differences in client motivation for choosing Islamic or conventional banks. Whereas Islamic banks customers appreciated the friendliness of staff, quality of services, community service and measurable offerings, conventional banks' customers appreciate the services provided and their interaction with their staff. Al-Ajmi et al. (2009) also examined bank customers' motivations, although their focus was on customers in Bahrain. The authors specifically evaluated the features of bank managers who had the option of selecting certain banks over others by reviewing past literature. Al-Ajmi et al. (2009) stated that Bahrain is strongly competent in terms of service quality for banks engaged in practices related to social justice and/or adhering to Islamic principles. EOLBREAK Deeper research in this area seeks to differentiate the features and offers of Islamic and conventional banks. For instance, Olson and Zoubi (2008) sought to differentiate conventional and Islamic banks on the basis of their defining financial features. In relation to their respective accounting ratios, the authors found that conventional and Islamic banks are similar. However, Islamic banks have proven to be (but less effective) more profitable than conventional banks. In 2008, Hassan et al. (2009) expanded the work of Olson and Zoubi, comparing the efficacy of conventional banks and Islamic banks in the Middle East. The authors found no significant differences between Islamic and conventional banks in their overall efficiency. Nonetheless, Hassan et al. (2009) have shown that both Islamic and conventional banks on average use resources more efficiently than they can generate revenues and profit. Moreover, while the respondents reported they were aware of many unique Islamic financial items like income sharing deals (Murabaha), equity involvement (Musharaka) and financial contracts (Mudarabaha), the findings did not indicate that these goods had ever been used. In a linked study, Al-Wugayan et al. (2008) studied consumer satisfaction, consumer satisfaction and market share, but did not disclose the link between customer happiness and market share. The authors, however, established a strong correlation between customer loyalty and market share. Consumer loyalty over Kuwaiti banks is obviously not based on customer satisfaction but on variables such as relationships, pricing and special deals. EOLBREAK Other experiments have gone further, investigating the impact of other outcome factors on support efficiency and satisfaction. Over example, Mohd Kassim and Souiden (2007) investigated how image, customer expectations of

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overall efficiency. Nonetheless, Hassan et al. (2009) have shown that both Islamic and conventional banks on average use resources more efficiently than they can generate revenues and profit.

Several research has aimed to evaluate links in Islamic and conventional banks between service quality, satisfaction and customer behaviour. In study, Erol and El - Bdour (1989), for example, specifically explored the parameters used by Jordanian clients to choose either an Islamic or a conventional bank, in order to evaluate the attitudes, perceptions and values of clients with respect to the services offered by the Jordanian Islamic and conventional banks. While Erol and El - Bdour (1989) found that Jordanian clients do not differentiate between conventional and Islamic banks services, Saleh and Zeitun (2006) claimed that both Muslim and non-Moslem Islamic banks must educate their Muslim clients on Islamic banking terminology. This can help to distinguish them from conventional banks. In addition, Erol and his associates found that the most useful banking services offered were the foreign exchange, security deposit boxes, night depository and traveler checks. The researchers therefore suggested that Islamic banks should not replicate the activities of existing commercial banks. Instead, Islamic banks will move from conventional commercial banking to profit / loss-sharing services. Islamic banks can promote a new form of banking service through an emphasis on risk management and entrepreneurial financing. Overall, current research on the quality of banking services in the Middle East produces diverse findings. These studies have identified primarily dimensions of service quality viewed and their history, as well as barriers to favorable perceptions of service quality. In addition, some studies have developed cultural frameworks for satisfaction assessment, quality perceived and customer retention, while other studies have examined demographic differences (e.g. sex) linked to changes in perceptions of quality of Middle East banking service.

Conclusion

A rich stream of literature has evolved over the past two decades in the areas of service quality and customer satisfaction. In this study, a number of aspects of the literature are examined in order to properly frame the research problem. and to identify gaps in the existing knowledge body. Parts of the various alternative service quality conceptualizations will be examined for their theoretical and practical applications and finally integrated into the field of research to characterize the overall quality of service and customer satisfaction. This research examined the proportions of customer service quality. Given that perceptions of service quality often depend heavily on the service context, every effort is made throughout the study

to maintain the concepts and text of the SERVQUAL model as closely as possible, although modifications to these objects were necessary. The research also shows that these dimensions are not too far from SERVQUAL. Although many items were similar in nature, their dimensional alignment was considerably different from the SERVQUAL model. EOLBREAK The focus of the study was on understanding the determinants of service quality and satisfaction of customers in the banking industry. The study suggested that the SERVQUAL dimension replicates in the banking industry with some structural changes based on customer priority service quality and customer satisfaction.

Future research directions

In this paper the new literature on service quality in traditional and Islamic banks in Middle East and GCC countries have been critically analyzed..

- (1) What are the profiles of GCC and Middle East banking customers??
- (2) How are demographic variables (e.g. employment, race, sex , age, occupation) impacting service level expectations??
- (3) How can population variables influence Islamic or traditional banking selection (e.g. employment, ethnicity, sex , age, occupation)?

Some work in this field has taken the SERVQUAL measure and analyzed customer preferences and quality of service perceptions in Islamic and traditional banks of the Middle East and the GCC countries.:

- (1) What are the key dimensions of perceived service quality that are consistent throughout the Middle East and GCC banking clients?
- (2) What are the core aspects of the perceived quality of service that distinguish conventional and Islamic banking clients in the Middle East and GCC countries?
- (3) What are the main dimensions of perceived service quality in the Middle East and GCC banking clients??
- (4) What are the core dimensions of perceived service quality which distinguish conventional and Islamic banking customers in the Middle East and GCC countries?

While some researchers have developed quality model service which shows the relationship between image, perceived service quality, satisfaction and customer retention (see, for example, Al-Eisa and Alhemoud, 2009; Mohd Kassim and Souiden, 2007; Naser et al., 1999; Shin and Elliott, 2001), it appears that these studies lack several fundamental buildings, including faith, trust, and confidence. The Sultan and Wong model (2010, 2013) can provide a valuable insight in this relation..

- (1) What roles do customers play in choosing a specific type of banking services in the Middle East and GCC area in terms of values, trust and confidence?
- (2) Do the perceived efficiency of the banking service predict performance in the Middle East and the GCC?

Research relating to advances in financial services, the globalization of banking services, and institutional or corporate branding was scarce. Together with this, Islamic banking's relative novelty poses more questions:

- (1) Which new banking products or services would be of value to Middle East and GCC customers?
- (2) What are certain branding determinants of Islamic Banking products or services (including corporate branding)?

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