

CUSTOMER SATISFACTION AND AWARENESS OF ISLAMIC BANKING SYSTEM IN AMPARA

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Abstract

The idea of Islamic banking is not a new one. The popularity of Islamic banking is growing day by day in various Islamic and non-Islamic countries. The conventional banking industry is a well-established competitor for the Islamic banking industry. Now for this rivalry, Islamic banking industry must consider their customer's approach, satisfaction and awareness level towards it. In this descriptive research study, a sample of Islamic bank account users from different regions of Ampara was studied, to analyze the customer's satisfaction, awareness level towards the Islamic banking industry and to investigate the relationship between the satisfaction, awareness of customers and different demographic variables. A total of 130 customers' data were collected and required statistical analyses were performed using SPSS software. The study results exposed that the trend of the customer in the sense of age, the majority of the customer are in the age of 21 to 40 years and only 30% of the customers were educated in undergraduate and postgraduate levels. And also most of the customers were of the middle-income level. 57% of them have an account in other conventional banks also. The results recommend that overall Islamic banking system customers are mostly satisfied with the Islamic banking services been provided to them and the banking efficiency in their transactions. There is high possible in the victory of the Islamic banking industry if the Islamic banking industry spread out their network with customer demanded product.

Keywords: Islamic banking, customer satisfaction, awareness, conventional banking.

Introduction.

The banking system is a structure of having a pool of cash in secure vaults familiarized since the time Jewish time period who were basically dealing with the banking transaction in the opened marketplaces (Ali, F., Raziq, H., Aleem, A., Latif, S., Arslan, M., and Muhammad, A. S., 2011). On the other hand, from the early days of the banking system, Islam did not admire it and even forbidden the primary point at issue of banking i.e., getting and giving the interest; However, with the passage of time, the conventional banking industry succeeded in all over the Islamic world. It is due to the domination of the western domain on the world economy. In the end, it provided the surge to Islamic banking idea to the world primarily in the Islamic world (Ahmad, A., Rehman, K. U. and Safwan, N., 2010). The initial

goal of the Islamic banking to upgrade the Islamic worth not only earnings expansion. As well as upgrade the world is the best approach to invest and produce the more profits (Raza, H. and Azeem, M., 2014). In Pakistan, Islamic banks offer various facilities and products to contest with the conventional banks and entice the upcoming customer and potential clients (Awan, H. M., Bukhari, K. M. and Iqbal, A., 2011). Hence, the main duty of the Islamic banking system (IBS) is to select the injunction of Islam and its Sharia (Shafiq, M. Azhar, A. and Muhammad, J., 2016).

Islamic banking system has been presented at the end quarter of the 20th century, while the conception of IBS is advanced in years. IBS was familiarized because of the cause that there was the requirement for a fiscal organization for Muslim consumers who could fulfill their wants and requests. Because the common banking industry is totally based on the interest-based scheme as well as that is forbidden in the Islamic Sharia rules. Hence, the Muslims want such institution which grants them the Islamic policy for their economic dealings (Khattak, N.A. and Rehman, K.U., 2010).

The Islamic finance is well-defined by means of a commercial deal or product primarily applied to fulfill with the major principles of Sharia (or Islamic law). In order, the key resources of Sharia are the Holy Quran, Hadith, Sunnah, Ijma, Qiyas and Ijtihad (Gait, A. and Worthington, A. C., 2007). Islamic banking system is totally based on the Islamic Sharia conception, which omitted the influence of interest. The clients of the IBS do not have a precise understanding regarding its return on their investment previous to the actual return been gained. The initial stage on the topic of the formation of the Islamic banking system was taken in 1963 when “The Mit–Ghamr Savings Bank” was founded in Egypt that was, in reality, the fundamental Islamic fiscal scheme tested (Haron, S. and Ahmad, N., 2000). On the other hand that was not effective due to the good marketing and management plan. Afterward, the solid and efficacious steps were in use in the 1980s and onwards, Malaysia was considered to be the 1st Islamic country which has specified further attention for the growth of IBS.

The concept of the IBS is not only been admired by Muslims but it has been taken on by the conventional banking industry, as well. They have released their individualistic Islamic functioning windows, which are ensuring the Sharia guidelines and procedures. The rate of growth of the Islamic banking industry in the marketplace is around 15 to 20% for every year (Khattak, N.A. and Rehman, K.U., 2010).

Ampara district is situated in the Eastern province of Sri Lanka. It is one of the remotest districts of Sri Lanka. A descriptive cross-sectional study was carried out in different regions of Ampara to analyze the customer's satisfaction, awareness level towards the Islamic banking industry and to investigate the relationship between different demographic variables such as age, gender, religion, income, academic qualification and occupation and the satisfaction and awareness of customers.

Methods.

Objective.

This study has been carried out to examine the customer's satisfaction and awareness level of Islamic banking system in Ampara.

Sample and study area.

This study was conducted in different regions bank branches in Ampara district. A total of 130 Amana bank account users' details were collected from five different Amana bank branches in Ampara.

Study variables.

The questionnaire was structured in six sections. Section one included the demographic information of the respondent (age, gender, religion, academic qualification, income, occupation). Section two of the questionnaire included information about the respondent selected financial institution (Islamic, conventional or both Islamic and conventional). The third section of the questionnaire collected information regarding these customers who were involved in both banking systems. Here the reasons were gathered why they involved in both types of financial institution. The fourth section of the questionnaire collected information regarding the customers dealing with the Islamic banking system. Section five collected the respondent knowledge about the different products of the Islamic banking system (e.g. Murabaha, Mudarabah, etc.). In the sixth and final section, the customer's satisfaction level towards IBS was collected. There were add up to 34 variables selected in order to know about the customers, "their knowledge level".

Procedure for data analysis.

A total of 150 questionnaires were distributed and in these, the usable questionnaires were 130. So the sample size was 130. The required statistical analysis was performed using SPSS software. In this study, the customer awareness, reasons behind dealing with Islamic banking and their satisfaction level towards the Islamic banking services were checked. For this reliability test was used to check the reliability of the data by applying Cronbach alpha. After that, descriptive test statistics were applied. Finally, the relationship was checked between the demographic variables and the awareness level, satisfaction level and the reasons behind dealing with IBS by using the chi-squared test. Further, 5% of the significant level was used in this study.

Results and Discussions.

Demographic profile of respondents. The personal demographic profile of the respondents is shown in Table 1. Majority of respondents were Males, Aged between 21 to 40 years old. Most of them were self-employed and had the salary range between Rs.30001–50000.

Table 1. Respondents' Demographic Profile

Variables	Frequency	Percentage
Gender		
Male	100	76.9
Female	30	23.1
Age		
20 or less	8	6.2
21-30 years	46	35.4
31-40 years	41	31.5
41 - 50 years	25	19.2
51 or More	10	7.7
Religion		
Muslims	129	99.2
Non-Muslim	1	0.8
Academic Qualification		
Less than high school	5	3.8
High school	55	42.3
Certificate level	31	23.8
Degree	26	20.0
Master	10	7.7
PhD	3	2.3
Occupation		
Self-employed	56	43.1
Private sector employee	43	33.1
Govt. sector employee	29	22.3
Retired	2	1.5
Income levels (in Rs.)		
Below 30,000	25	19.2
30,001 – 50,000	61	46.9
50,001 – 100,000	28	21.5
Above 100,000	16	12.3

Types of banking services use by the customer. The selection of a banking system is important and it is shown in table 2. Mostly, people are using the different banking system. Most of the respondents had the account in both Islamic and conventional banks.

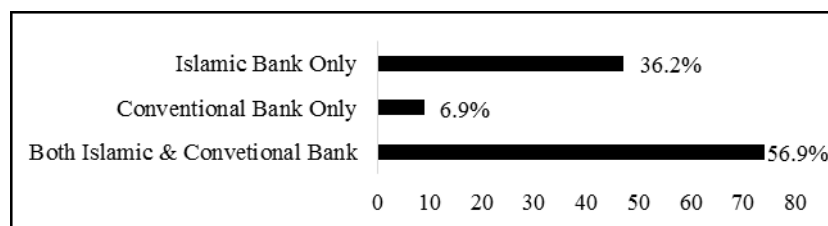


Fig. 1. Customer selected banking system

Reasons behind dealing with both banking systems. Some options were given to the respondents to know the reasons why customers have adopted both banking systems. Most of them both agreed and strongly agreed that the IBS provide the wide range of services and also they agreed with both banking systems provide the investment opportunities as much as they required. Islamic banking network impact on dealing with both Islamic & conventional banking system. Table 3 shows the results.

Table 3. Customer's reasons behind dealing with both Islamic and conventional banking system

Values	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
Limited banking Facilities offered by IBS	24	18.5	33	25.4	41	31.5	18	13.8	14	10.8
Wide range of services offered by IBS	29	22.3	64	49.2	28	21.5	9	6.9	0	0
Investment diversification opportunity	27	20.8	52	40.0	46	35.4	5	3.8	0	0
Network reason	21	16.2	52	40.0	48	36.9	7	5.4	2	1.5
Low investment opportunities offered by IBS	20	15.4	35	26.9	41	31.5	24	18.5	10	7.7

Reasons behind dealing with Islamic banking system. Table 4 gives customer reasons for dealing with only IBS. Religion was an important factor in the Islamic bank selection criteria. And most of them are using due to other reasons like bank reputation, the effectiveness in the transaction, Sharia rules obedience, provision of privacy and confidentiality in the banking transaction.

Table 4. Customer reasons behind dealing with Islamic banking system

Values	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
Religious	76	58.5	35	26.9	11	8.5	0	0	8	6.2
Profitability	9	6.9	57	43.8	41	31.5	13	10.0	10	7.7
Feasible location	25	19.2	59	45.4	40	30.8	0	0	6	4.6
Services charges	19	14.6	37	28.5	51	39.2	17	13.1	6	4.6
Effectiveness in transaction	32	24.6	49	37.7	31	23.8	12	9.2	6	4.6
Wide services range	27	20.8	59	45.4	34	26.2	4	3.1	6	4.6
Bank reputation	41	31.5	45	34.6	33	25.4	4	3.1	7	5.4
Sharia rules obedience	69	53.1	35	26.9	21	16.2	2	1.5	3	2.3
Provision of investment opp.	34	26.2	46	35.4	45	34.6	1	0.8	4	3.1

Credit card provision	9	6.9	25	19.2	42	32.3	24	18.5	30	23.1
Loan availability	19	14.6	30	23.1	54	41.5	18	13.8	9	6.9
Privacy / confidentiality	39	30.0	54	41.5	29	22.3	2	1.5	6	4.6

Customer awareness level about Islamic banking. Most of the people were aware of the fundamental concepts of the Islamic finance. But they were unaware of some specific financial products such as overdraft and letter of credit. And there were some respondents who were aware but had not used traveler's cheques and Murabaha financing respectively.

Table 5. Customer awareness level towards Islamic banking system

Values	Not aware of it		Aware but not use		Aware and use it	
	Freq	%	Freq	%	Freq	%
Current account	3	2.3	26	20	101	77.7
Time deposit A/C	16	12.3	26	20	88	67.7
Mudarabah	36	27.7	28	21.5	66	50.8
Musharakah	36	27.7	47	36.2	47	36.2
Ijara financing	44	33.8	44	33.8	42	32.3
Traveller's cheques	59	45.4	62	47.7	9	6.9
Overdraft	65	50	54	41.5	11	8.5
Letter of credit	74	56.9	50	38.5	6	4.6
Murabaha financing	60	46.2	64	49.2	6	4.6

Customer satisfaction about Islamic banking. Table 6 shows the customer's satisfaction towards IBS. People were satisfied with this IBS by the management proficiency, bank's personal knowledge, facilities for parking, advertising campaign and working hours of the bank.

Table 6. Customer's satisfaction towards Islamic banking system

Values	Strongly Satisfied		Satisfied		Neutral		Dissatisfied		Strongly Dissatisfied	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
Management proficiency	25	19.2	67	51.5	28	21.5	3	2.3	7	5.4
Bank's personal knowledge	25	19.2	61	46.9	37	28.5	4	3.1	3	2.3
Cost of services	14	10.8	31	23.8	78	60	3	2.3	4	3.1
Efficiency of transactions	35	26.9	41	31.5	47	36.2	4	3.1	3	2.3
Facilities of parking	22	16.9	60	46.2	41	31.5	4	3.1	3	2.3
Advertising campaign	21	16.2	54	41.5	49	37.7	3	2.3	3	2.3
Working hours	39	30	46	35.4	41	31.5	0	0	4	3.1

Financial counselling	31	23.8	43	33.1	47	36.2	6	4.6	3	2.3
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Validity and Reliability. From the pilot study, the initial questionnaire contained 34 items, including 8 items of customer satisfaction, 9 items of customer awareness and 12 items of Reasons behind dealing with Islamic banking system and 5 items of Reasons behind dealing with both banking systems. The reliability test was done by Cronbach's alpha as shown in table 7. All in all, only the reasons behind dealing with both banking systems revealed the less reliability. So, the data was not reliable. To avoid that every variable has been removed from that reasons until the whole data is reliable.

Table 7. Relationship between customer awareness and the demographic variable

Variables	For all variables		removing one variable		removing two variables	
	Items	Cronbach's Alpha	Items	Cronbach's Alpha	Items	Cronbach's Alpha
Reasons behind dealing with both banking systems	5	0.285	4	0.539	3	0.685
Reasons behind dealing with Islamic banking system	12	0.864	12	0.864	12	0.864
Customer awareness	9	0.899	9	0.899	9	0.899
Customer satisfaction	8	0.910	8	0.910	8	0.910
Total	34	0.836	33	0.850	32	0.855

Relationship between satisfaction of the customers and demographic variables. Results of the relationship between customer satisfaction and demographic variables are in table 8. A significant relationship was observed between the satisfaction variables and education, income level and profession.

Table 8. Customer satisfaction level and demographic variables

Values	Gender		Age		Education		Income		Profession	
	χ^2	Sig	χ^2	Sig	χ^2	Sig	χ^2	Sig	χ^2	Sig
Management proficiency	2.695	0.610	61.868	0.000	53.845	0.000	58.346	0.000	38.687	0.000
Bank's personal knowledge	4.335	0.363	49.552	0.000	47.340	0.001	49.288	0.000	35.687	0.000
Cost of services	6.455	0.168	45.168	0.000	33.591	0.029	59.101	0.000	20.631	0.056

Efficiency of transactions	7.091	0.131	31.228	0.013	1.30E2	0.000	45.393	0.000	28.535	0.005
Facilities of parking	12.413	0.015	15.498	0.489	39.979	0.005	35.482	0.000	35.576	0.000
Advertising campaign	12.258	0.016	39.605	0.001	1.82E2	0.000	66.378	0.000	34.552	0.001
Working hours	6.344	0.096	25.739	0.12	46.864	0.000	26.288	0.002	30.312	0.000
Financial counselling	3.830	0.430	49.444	0.000	1.19E2	0.000	44.638	0.000	41.906	0.000

Relationship between reasons behind dealing with Islamic banking and demographic variables.

Different education and income level groups had significant difference among the reasons behind dealing with IBS. No significant association was found between the different age group of people with the profitability, investment opportunities, credit card, loan availability and bank's privacy. This means that the different age group people have the different opinion on the bank location.

Table 9. Relationship between reasons behind dealing with Islamic banking system and demographic variables

Values	Gender		Age		Education		Income		Profession	
	χ^2	Sig	χ^2	Sig	χ^2	Sig	χ^2	Sig	χ^2	Sig
Religious	0.812	0.847	54.343	0.000	40.713	0.000	22.240	0.008	10.280	0.328
Profitability	11.994	0.017	25.329	0.064	77.559	0.000	45.218	0.000	36.799	0.000
Feasible location	6.956	0.73	29.179	0.004	75.643	0.000	20.471	0.015	36.070	0.000
Services charges	13.715	0.008	37.222	0.002	57.715	0.000	38.917	0.000	18.517	0.101
Effectiveness in transaction	3.568	0.468	38.281	0.001	99.397	0.000	73.788	0.000	25.797	0.011
Wide services range	26.375	0.000	28.343	0.029	1.37E2	0.000	44.086	0.000	56.124	0.000
Bank Reputation	3.059	0.548	39.297	0.001	80.266	0.000	32.919	0.001	49.583	0.000
Sharia rules obedience	15.644	0.004	50.148	0.000	36.603	0.013	40.323	0.000	10.142	0.604
Provision of investment opp.	1.963	0.742	10.466	0.841	68.049	0.000	44.488	0.000	27.041	0.008
Credit card provision	16.625	0.002	26.676	0.076	45.365	0.001	61.990	0.000	17.175	0.143
Loan availability	15.603	0.004	17.277	0.368	70.197	0.000	54.865	0.000	11.385	0.496
Privacy / confidentiality	3.564	0.468	13.945	0.603	65.004	0.000	31.455	0.002	17.147	0.144

Relationship between the awareness level of customers and demographic variables. Table 10 indicates that the relationship between the customer awareness level and demographic variables. A

significant relationship was observed between the awareness variables and some demographic variables like education and income level. And also there was a significant relationship among the age of the customers with time deposit account and Mudarabah.

Table 10. Relationship between customer awareness and the demographic variable

Values	Gender		Age		Income		Education		Profession	
	χ^2	Sig	χ^2	Sig	χ^2	Sig	χ^2	Sig	χ^2	Sig
Current account	3.306	0.191	11.971	0.152	30.891	0.000	23.507	0.009	4.917	0.555
Time deposit A/C	1.083	0.582	16.096	0.041	34.461	0.000	34.248	0.000	8.610	0.197
Mudarabah	3.067	0.216	32.540	0.000	25.496	0.000	28.503	0.001	16.772	0.010
Musharakah	4.825	0.090	14.014	0.081	18.462	0.005	31.019	0.001	17.062	0.009
Ijara financing	7.499	0.024	8.494	0.387	23.649	0.001	29.190	0.001	21.243	0.002
Traveller's cheques	0.703	0.704	4.943	0.764	42.113	0.000	51.361	0.000	18.493	0.005
Overdraft	3.231	0.199	15.174	0.056	21.229	0.002	28.419	0.002	20.503	0.002
Letter of credit	2.721	0.257	9.150	0.330	17.328	0.008	21.929	0.015	11.855	0.065
Murabaha financing	5.544	0.063	8.738	0.365	22.436	0.001	21.196	0.020	7.572	0.271

Conclusion. In this study, the majority of the customer i at the age of 21 to 40 years and had the middle-income level. Our findings suggest that most of the IBS customers have adopted both banking systems. This shows that IBS is lacking many of the feature and requirement that their customer wants. Most of the customers are using the IBS due to the religious reasons and aware of the fundamental concepts of the Islamic finance. The results show that overall IBS customers are mostly satisfied with the IBS services been provided to them and the banking efficiency in their transactions.

This study suggests that IBS have to consider some of the factors for their successes in Islamic regions. The study shows that most of the customers are unaware of the different Islamic banking products such as ijara financing, traveler's cheques, overdraft, letter of credit and Murabaha financing. It means that Islamic banking industry has to give concern to providing awareness to their customers. They have to arrange certain seminars, workshops and improve their marketing strategies by providing advertisements in flyers or leaflets to boost better customer awareness on the products offered through banks inform the IBS customers about different products and services. Secondly, most of the customers have adopted both banking systems. That is because the IBS does not provide as many efficient products for their customers as the conventional banking system provides to its customers. So they must have to contemplate on the product provision to its customers, another reason is the network of the Islamic

banking system. They have to give more consideration to their network. Because from the study, it shows that most of the customers are conscious of the branch location. There is high potential in the victory of Islamic banking industry if the Islamic banking industry extends their network with customer demanded product.

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