

## MEASURING YOUNGSTERS' SATISFACTION IN ISLAMIC BANKING SYSTEM: THE APPLICABILITY OF SERVQUAL

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### ABSTRACT

In this research study, the SERVQUAL model was applied to analyze the service quality of the Islamic Banking System (IBS) among young customers. For this purpose, who has Islamic bank (IB) account in South Eastern University of Sri Lanka, was considered as data. A total of 159 Islamic bank account holders' feedbacks were collected by the questionnaires. Most participants in this research study were females aged 22 and had an account in both Islamic and common banks. This demonstrates that IBS lacks a lot of the function plus demands for their fresh client desires. Students generally make the transaction using 'saving accounts' as well as dealing with IB accounts only 16.4 percent. In addition to I+ accounts were handled by 50% of youngsters. And some students had 1 year plus experience by only deal with IB accounts. In the selection criteria for banks, religious belief was an authoritative cause. But generally, the expectations of the students with perceptions were not significant. Therefore, in the perspective of young people, IBS provides mostly satisfactory service. However, IBS has to concentrate on quality aspects in order to stay with the IBS for the young customers for in future. Therefore, this research study reveals that for their accomplishment, IBS should focus on offering awareness to valuable customers. Then, they need to consider supplying products to their clients because the clients have embraced both Islamic and common banks.

**Keywords:** Islamic banking, loyalty, satisfaction, SERVQUAL model, undergraduates

### INTRODUCTION

#### Background of the study

Banks managers confront big compression to demonstrate that customer-focused banking systems plus non-stop renovation achievement are being provided. For their banks' growth, they should correctly comprehend and evaluate client expectations. In addition, there should be a substantial gap in the provision of service quality development for the customer's to understand. This information assists a bank director to acknowledge the cost-effective methods to close the service quality gaps other than prioritizing and concentrate on which gaps affect the banking system's service quality. To be successful and banking systems' existence, high-quality of service should be offered to satisfy many requirements, for example, the fulfillment of customers, successive dedication, the attraction of new customers, expansion of market shares and cost-effectiveness. The banking framework's service quality is commonly known due to a severe precondition for establishing and nurturing a satisfactory link with the precious clients (Reddy & Karim, 2014). Along these lines, the relationship

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between the quality of services and consumer loyalty has emerged as a result of a significant and scheduled association (Cronin & Taylor, 1992).

Perceived quality of service is a popular source of satisfaction (Spreng & Mackoy, 1996). In an aggressive world, because of a service union has an exceptionally high tax value, there is a precursor to exact understanding in addition to defining elements of consumer satisfaction (Lassar, Manolis, & Winsor, 2000).

A number of research studies utilizing the SERVQUAL model and consumer satisfaction with the quality dimensions have been carried out. By utilizing this pattern, perception of quality has been determined by assessing the difference among the dimensions for expected and perceived quality as well as the impact of quality of service on the satisfaction of consumers (Ghost & Gnanadhas, 2011), (Talukder, 2018), (Jain, Gupta, & Jain, 2012), (Renganathan, Balachandran, & Govindarajan, 2012), (Lohani & Bhatia, 2012), (Ravichandran, Mani, Kumar, & Prabhakaran, 2010), (Mishra, Sahoo, Mishra, & Patra, 2010).

### **Objective of the study**

This study has been conducted to analyze the service quality of the Islamic Banking System among young customers.

### **LITERATURE REVIEW**

A study has been carried out to contribute to the Islamic banking system by inspecting the influence of different dimensions of customer service quality on customer satisfaction. This study has found that there is a positive strong relationship between the six main dimensions of customer service quality such as: Compliance, Assurance, Reliability, Tangibility, Empathy and Responsiveness and customer satisfaction (Janahi & Al Mubarak, 2017).

To investigate the relationship between customer satisfaction and the Islamic banks' service quality a survey has conducted in Malaysia. It revealed that there is a positive relationship between customer satisfaction and constructs of service quality such as banks staffs, banks images, banks services and banks accessibility (Hamzah, Ishak, & Nor, 2015).

To investigate the influence of Sharia acquiescence perception on customer satisfaction in Islamic banking system, a survey has been carried out among 242 bank account holders in Pakistan. A significant effect of Sharia compliance perceptions have been identified in the relationship between service quality and customer satisfaction (Saqib, Farooq, & Zafar, 2016).

Another study has been carried out to examine the relationship between service quality and customer satisfaction and to find the effect of service quality on customer satisfaction among 255 Tanzanian Islamic banking holders. Customers are satisfied with the Tanzania Islamic banks services. Further, customers are attracted by compliance, tangibility and reliability of

the banks. Also there is a significant relationship between service quality and customers' satisfaction. But empathy, compliance, and reliability were only found to be significant predictors of customer satisfaction (Khamis & AbRashid, 2018).

To identify the gaps and differences between customer expectations and perceptions of Malaysian Islamic banks' service quality six dimensions such as reliability, responsiveness, assurance, empathy, tangibles and Islamic Sharia acquiescence, a study has conducted among 179 first-hand experience with Islamic banking services customers in Malaysia. From this study, it indicated that customers' perceptions failed to meet their expectations on service quality of their banks (Islam, Ahmed, & Razak, 2015).

## METHODOLOGY

This research study was conducted amongst the undergraduate students of the Faculty of Islamic Studies and Arabic Language in the South Eastern University of Sri Lanka. Totally 300 surveys were distributed among the undergraduates and 251 were used in them. For this research purpose, a total of 159 IB account holders' details were regarded. Hence, the size of the sample was 159.

This research has been conducted applying the SERVQUAL model to evaluate the IBS service quality (Parasuraman, Zeithaml, & Berry, 1988). SERVQUAL questionnaire was carried out for this reason. Hence, up to 22 variables were included to learn about the service quality expectations and perception of the undergraduates' students.

### SERVQUAL Model

Obviously, from the finest cost perspective, the service quality evaluation in the service sector should take account of customer service expectations in addition to service perceptions. However, it is obvious that there is a slight opinion accord on how to evaluate the quality of service (Robinson, 1999). As mentioned above, one widely implemented service quality assessment model is the SERVQUAL model created (Parasuraman et al., 1988). SERVQUAL as the utmost frequently utilized a methodology to evaluating the service quality was to compare the expectations of clients before service experience with their view of the real service provided (Parasuraman, Zeithaml, & Berry, 1985). This technique has been the dominating tool to assess the service quality of customer perceptions. It has 5 service quality dimensions and the following are mentioned:

**Tangibility:** Physical facilities, equipment and staff appearance.

**Reliability:** Ability to execute reliably and precisely the guaranteed service.

**Responsiveness:** Readiness to support the customers and provide timely service.

**Assurance (containing skills, graciousness, validity and safety):** Employees' knowledge plus courtesy and capacity to rouse trust plus certainty.

**Empathy (containing contact, communication and customer comprehension):** The Company offers its customers with care and individualized attention.

Using SPSS software, the necessary statistical analysis was carried out. Further, 5% of the significant level was utilized in this study work.

## RESULTS AND DISCUSSION

### Demographic profile of respondents

Most participants in this research study were females, aged at 22 years. Results indicate that this survey was attended by 67.9% from Arabic Language and 32.1% from Islamic Studies Course undergraduates' students. These details are shown in Table 1.

*Table 1. Students' Demographic Profile*

Variables	Frequency	Percentage
<b>Gender</b>		
Female	97	61.0
Male	62	39.0
<b>Age Level</b>		
19-20	15	9.4
21-22	68	42.8
23-25	66	41.5
25+	9	5.7
<b>Course of study</b>		
Islamic Studies	51	32.1
Arabic Language	108	67.9
<b>Year of study</b>		
1 <sup>st</sup> year	59	37.1
2 <sup>nd</sup> year	46	28.9
3 <sup>rd</sup> year	53	33.3
4 <sup>th</sup> year	1	.6

### Students used banking systems

Figure 1 shows the details of what type of banking system they use, which type of accounts they mostly deal, number of accounts they deal in day to day life and how many years of

experience with IBS they have. Most of them had accounts in both Islamic and conventional banks (54.5%), generally made the transaction with savings accounts (64.8%), 69.2% of them had more than one account and 2.5% of them had the experience with IBS for more than 10 years.

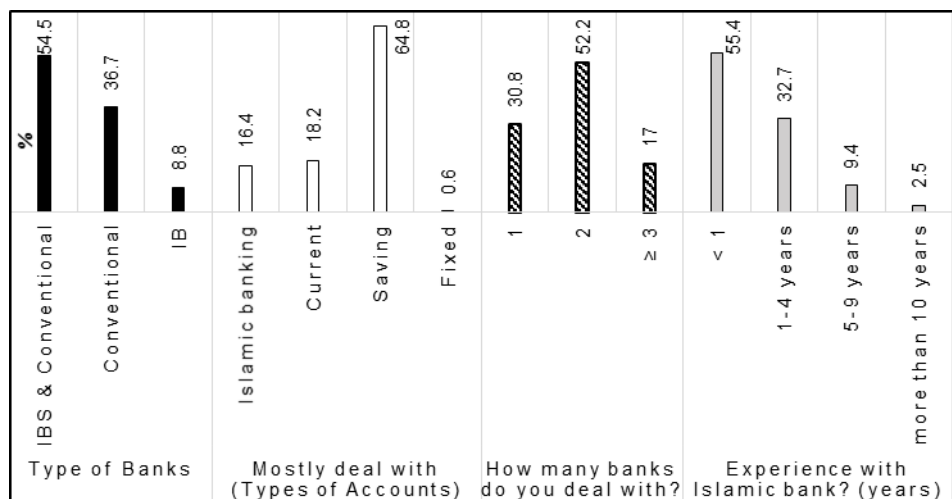


Figure 1. Students used banking system

### Reasons behind deal with only Islamic Banking Systems

Students mentioned various reasons for using Islamic banking system are shown in Table 2. They used IBS mainly because of the religious cause. And they agreed with frequent use of IBS due to investment opportunity (57.9%), transaction effectiveness of banking system (50.9%), the obedience of sharia rule (49.1%) and privacy/confidentiality of the banking system (45.3%).

Table 2. Why students deal with the IBS

Values	Strongly Agree (%)	Agree (%)	Neutral (%)	Disagree (%)	Strongly Disagree (%)
Religious	60.4	25.8	5.7	3.8	4.4
Profitability	5.7	37.7	35.2	17.6	3.8
Feasible location	7.5	35.2	27.7	26.4	3.1
Services charges	9.4	37.1	40.3	8.2	5
Effectiveness in transaction	19.5	50.9	27	2.5	-
Wide services range	18.2	39	37.7	5	-
Bank reputation	33.3	37.1	25.2	1.3	3.1
Sharia rules obedience	49.1	33.3	13.2	3.1	1.3
Provision of investment opp.	18.9	57.9	20.8	2.5	-
Credit card provision	25.2	30.2	29.6	11.3	3.8

Loan availability	13.2	42.1	25.2	13.8	5.7
Privacy / confidentiality	45.3	37.1	15.1	0.6	1.9

### Reliability

Figure 2 shows the Chronbach's Alpha for all service quality dimensions to check the reliability. Since all Chronbach's alpha were greater than 0.7 (J. . Nunnally, 1978), (J. Nunnally & Bernstein, 1994), (Cronbach, 1951), for the four-item scale of tangibility, the five-item scale of reliability, the four-item scale of responsiveness, the four-item scale of assurance, five-item scale of empathy, and overall dimensions were reliable.

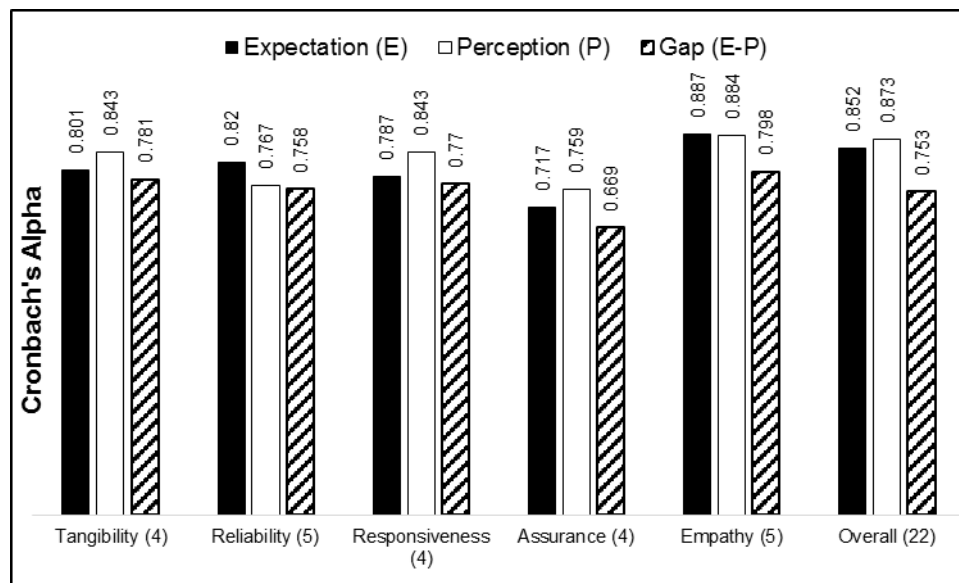


Figure 2. Service quality dimensions' reliability

### Gap Analysis of Service Quality

Table 3 shows the gap analysis of expectation and perception for every dimension of service quality. Only Assurance showed the positive gap among all dimensions (0.09) since expectation of Assurance was higher than the perception of Assurance. It proved that Islamic Banking System has always delivered the superlative service for their clients. Further, there was a significant positive relationship between the expectation and the perception for Responsiveness, Assurance, Empathy and overall dimensions of service quality. As well as, there was a significant difference between the overall quality expectations and perceptions. Therefore, particularly they should focus on Tangibility, Reliability and Responsiveness to deal the youngsters with the IBS in the future.

Table 3. Service Quality Description

Dimension	Gap (Expectation-Perception)					
	Mean	SD	Corr.	Sig.	T	Sig.
Tangibility	-0.75	0.93	0.03	0.72	-10.2	0.00**

Reliability	-0.31	0.70	0.11	0.16	-5.62	0.00**
Responsiveness	-0.28	0.76	0.27	0.00*	-4.71	0.00**
Assurance	0.09	0.77	0.36	0.00*	1.34	0.18
Empathy	-0.04	0.80	0.46	0.00*	-0.66	0.51
Overall	-0.25	0.43	0.50	0.00*	-7.40	0.00**

Note: Corr.: Paired correlation value, Sig.: P-Value

\* Fail to accept null hypothesis of there is no relationship at 5% significance level

\*\* Fail to accept null hypothesis of there is no difference at 5% significance level

## CONCLUSION

According to the reliability test all dimensions were reliable. In this study, only Faculty of Islamic and Cultures students were considered and in these most of them were female students from Arabic Language course. Students mostly adopt with both Islamic and Conventional banks and only few students deal with Islamic Bank accounts due to the deficiency of the service from Islamic Banking Systems plus their religious conviction. So, IBS should contemplate about the provision of products to its customers. Most of them have multiple types of accounts because of the limited facilities of the Islamic Banking Systems. Among these, Islamic Bank account holders say that they are mostly satisfied with their banks. According to the SERVQUAL model results, their requirements of Islamic Banking Systems are completed by IBS provide the best service quality. However, IBS should focus on some dimensions of service quality such as Tangibility, Reliability and Responsiveness in future for their best achievement.

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