

# Assessing satisfaction among Islamic Bank Customers' in Bangladesh

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**Abstract** -This study is conducted to assess the level of customer satisfaction in Islamic banks from the context of Bangladesh. In the process, 300 questionnaires were distributed, and 236 were returned completed. The results of the questionnaire analysis reveal that there is significant relationship between three of the independent variables, namely-tangible products, personnel service quality and level of commitment to customer satisfaction. In contrast, level of compassion does not have a significant relationship with customer satisfaction. The analyses further reveal that the respondents were satisfied with the overall Islamic Banks' infrastructure operating in Bangladesh, and most of the respondents did not have intentions to switch to the conventional counterparts. However, the main reason for the account holders to switch to Islamic banks is because they wanted to deal with Shariah compliant banking. The analyses also indicate that a significant percentage of the respondents have accounts with both Islamic banks and conventional banks. The study has suggested that Islamic Banks should enhance Shariah compliant framework to generate more income, experience speedy growth, and remain sustainable in the long run.

**Keywords-** Islamic Banking; Customer Satisfaction; Trust; Loyalty; Tangible Products; Personnel Service Quality; Compassion; Commitment; Bangladesh.

## 1. INTRODUCTION

The purpose of having established Islamic Banks in Bangladesh was to have a financial institution, which is in accordance with the Islamic morals coupled with the objective of development in the socioeconomic sector. The central bank of Bangladesh- Bangladesh Bank provided the framework, regulations, monitored and supervised the financial institutions, both conventional and Islamic banking systems, Ahmad & Hassan (2007)[4]. The main objective of both the conventional banking system and the Islamic banking system was to achieve growth and economic development (Uddin, Khan, and Mohammad, 2015)[40]. As the researchers further stated the Islamic banks were expected to be based on Profit and Loss Sharing (PLS) scheme, rather than interest while many of the conventional banks mainly derived their profits from interests. The first Islamic bank, IBBL was set up in 1983 in Bangladesh. Currently, Bangladesh has eight full-fledged Islamic Banks, and the total deposits of these banks account for 21% or (one-fifth) share of the entire banking industry, even though there are 57 commercial banks in Bangladesh. The growth of the IBs has been significant compared to the conventional counterpart banks. Thereby, many of the conventional banks had started Islamic bank subsidiary or Islamic windows. Islamic Banks (IBs) came into existence in Bangladesh with an objective that they would serve as an alternative to the conventional counterparts, which were interest-based, Ullah (2014)[41]. Thus, they mainly targeted the practicing Muslims and 86.6%, which is the majority of the population are Muslims, in Bangladesh.

The IBs were expected to have contributed to the economic development of the nation and at the same time had their principals in accordance to Shariah (Ahmad & Hassan, 2007)[4]. According to Ullah (2014)[41], the IBs were presumed to be a platform for the customers who did not want to indulge in interest-based earning, riba. An ideal financial institution that would be based on PLS scheme yet remain profitable for their clients and investors, be compassionate to the clients, achieve potential growth, and gradually be an alternative to the interest-based banks, adhering all their operations, regulations, policies, laws in accordance to Shariah based principals. According to Naser, Salem, and Nuseibeh (2013)[26], the importance of the Islamic Banking System was fully recognized during, as well as after the 2008-2009 financial crisis primarily because the Islamic banks were the least affected. As the researchers highlighted, this was attributed to the sound risk management and financial policy that the Islamic banks adopted, which led to profits even when other banks reported losses. As Sayani and Miniaoui (2013)[34] suggested, even though the concept of Islamic banks was in its infancy it has attracted the attention of many foreign and local investors. However, as articulated by Ahmad & Hassan (2007)[4], Islamic Banks had lacking financial market shares and instruments, thereby the legal authority in charge, Bangladesh Bank, had granted some provisions for speedy development. Even so, the Islamic banks did not report an increased market share owing to competition from conventional banks and other Islamic banks (Naser et al., 2013)[26]. As Naser et al. (2013)[26] highlighted,

the problem with Islamic banks was competition, which intensifies as banks offered similar services and products. As noted by Ahmad & Hassan (2007)[4], one of the major problem of the Islamic banking system was that the country still did not have any separate Islamic banking act or specific laws whereby the legal proceedings of Islamic banks and their customers could be resolved. Another problem with Islamic banks in Bangladesh was client dissatisfaction, but banks have continuously strived to eliminate the issue. In eliminating the client dissatisfaction, Islamic banks in Bangladesh have gained positive interest from investors and locals. However, according to Ahmad et al. (2011)[3], despite the high interest of people in adopting Islamic bank services and products, the banks have not yet been as successful in meeting customer standards, specifically of interaction quality during client-bank service encounters. Another issue that Ahmad et al. (2011)[3] highlighted was the fact that Islamic bank marketers often found it difficult to improve the interactive service quality. Ahmad & Hassan (2007)[4] articulated that IBs in Bangladesh seemed to compromise their ideals with their actual practice. The IBs are governing their institutions like that of any other conventional bank. Even though they have committed to abide by the Shariah rulings through their booklets, posters, but when it came to implementation of the Shariah policies there was a gap. This gap will always undoubtedly lead to the question, how Shariah based are the Islamic banks, in other words, are the IBs any different from their conventional counterparts. This perception held by the clients of IBs is assumed to have an impact on their level of satisfaction and trust towards the IB system. Accordingly, to Amin, Isa, & Fontaine, (2013)[7] if the customers were not satisfied they would not be loyal. The researchers further articulated it was essential for the customers to hold a positive image of the bank otherwise they would not be able to trust their respective bank. Amin et al., 2013 further expressed trust was a dimension that contributed to the growth of IBs. Thus in order for IBs to remain sustainable in the long run, they must make Shariah principals as an essential pillar so that the clients could trust the IBs.

However, it is to be noted that IBs in Bangladesh has gained much popularity and have succeeded in meeting the short-term objectives as a viable platform for commercial activities. Nonetheless, as Amin, Isa, & Fontaine, (2013)[7] articulated that the customers will not remain loyal in the long run and they would switch to other banks if they were not satisfied. In particular, even though Islamic and non-Islamic banking systems concept may be similar in some aspects it is assumed not to be similar in many aspects, thereby, owing to the similarity in services offered by Islamic banking institutions often faced strong competition from conventional and other Islamic banks (Ahmad et al., 2011)[3]. To further support the assertion Ahmad et al. (2011)[3] made, Naser et al. (2013)[26] highlighted the problem of increased competition among banking institutions, which generally

may lead to reduced profits, especially in instances when the client demands and needs were not met. Kashif, Rehman, and Pileliene, (2016)[20] stated that customers' satisfaction was significantly related to the service quality provided by the personnel. The researchers further expressed that customers remained loyal if they received the expected service quality from the personnel. As such, when the competition was coupled with the fact that Islamic bank marketers could not find a way to improve the service quality that was offered to their clients it further aggravated the problem. In effect, this had led to reduced profitability in the bank, and thus, the banking institution was not being able to achieve its long-term objectives. Further, as asserted by Andaleeb, Rashid, and Rahman, 2016 the level of commitment shown by the banks is significantly related to the customer satisfaction. If the perceived level of commitment, such as upholding Islamic morals as expected by the clients doesn't match with the level of commitment displayed by the bank than the clients will remain dissatisfied. The researchers thus suggested that the banks must assure the customers that the IBs will stand by their clients within the boundary of Islamic morals at all times. Another issue was the drive of the IBs to remain profitable whereby the service quality could be compromised on the process, which would lead to dissatisfaction among clients. As asserted by (Andaleeb, Rashid, and Rahman, 2016)[9] the IBs have begun to be extremely profit-centered, thereby leading to dissatisfaction among the clients. The clients expected that IBs would display much compassion while providing services, which included advises and empathy. Another issue as highlighted by Ahmad et al. (2011)[3] is that the Islamic banks have not fully capitalized on technology in marketing the banking services and products, and therefore, they missed out on the younger generation, which is often tech-savvy and well-educated, and enhancing tangible determinants and intangible determinants could help to enhance their satisfaction. Ahmad & Hassan (2007)[4] articulated that it was absolutely essential for Bangladesh to develop a separate legal framework to govern all matters with regards to Islamic Banks because the laws and regulations for the financial institutions were designed to regulate the conventional banking system. However, it is to be noted that the conceptual principals and objectives of the two systems, namely interest-based financial institutions and Shariah based financial institutions were meant to be significantly different from each other. This could essentially mean that there was lack of supervision and recommendation to the IBs by the central governing body, which is why the Islamic Banks was not being able to capture larger market share. Besides, as the author articulated, despite the fact that there was a strong drive to select an Islamic bank, convenience factors, such as high reputation and client satisfaction overrides the selection of a specific bank, and thus, banks needed to ensure that the clients were satisfied (Ritz, Awad, & Nadia, 2014)[30]. Ahmad & Hassan (2007) [4] stated, "the philosophical

foundation of an Islamic financial system, with banking the most developed part, goes beyond the interaction of factors of production and economic behavior". The researchers further articulated that unlike the conventional financial system, the Islamic financial institutions should not only focus on economic and financial transactions rather the IBs should equally incorporate other religious dimensions. Ahmad, Rustam, and Dent (2011) and Sayani and Miniaoui (2013)[34] highlighted that a strong Islamic reputation and better Shahriah based banking and financial services were the leading factors that customers consider while selecting an Islamic bank. As suggested by Ahmad & Hassan (2007)[4], the IBs have to take into all the considerations from the perspective of religious ideology and prove its usefulness by being economically productive and at all times display compassion to the clients so that it can successfully make itself distinguishable from the interest-based banks. In order to endorse their image to their clients that their predominant principals were in accordance to the Islamic morals, which is expected to have a significant relationship with trust and loyalty of the customers it is essential that every Islamic bank has a dedicated research academy (Amin, Isa, & Fontaine, 2013)[7]. As Ahmad & Hassan (2007)[4], suggested that IBs should undertake investments in introducing more standardized and innovative financial instruments, that would be easily acceptable by the clients who are puzzled with the underlying concept of Shahriah based financial institutions and also intend to gain market share through customer awareness with regards to IBs.

The current study is expected to highlight how the independent variables, tangible determinants and intangible determinants being measured with three dimensions of service quality, namely- personnel service quality, level of commitment, and level of compassion had an effect on the dependent variable, customer satisfaction. Subsequently, the study is expected to contribute how Islamic banking by improving the determinants that had an impact on customer satisfaction can capture the immense potential for further expansion, as the real economic growth over the last decade has been six percent. In addition to the benefits mentioned above with the perfected performance of IBs and increased market share all over the nation, it can be expected that bank-customer relationship will improve. Assessment of customer satisfaction is deemed as an essential element that determined the success of the Islamic banks as it guarantees greater market share that was expected to enhance the competitive position and thereby, ultimately would lead to an improved performance. This study is based on assessing satisfaction among Islamic Bank customers' in Bangladesh. Thus the study is expected to shed some light on the level of customers' satisfaction and the extent to which the four independent variables had an impact on the dependent variable. The current study is perceived to be different from the previous studies done on the Islamic Banks of Bangladesh. The

current paper is more detailed than the studies previously conducted by the researchers who concentrated in Islamic Banks of Bangladesh from the perspective of regulation, performance, social responsibility, core products, and services. The drive of this research, therefore, is to tackle the problem of client dissatisfaction in Bangladeshi Islamic banks it highlighted areas where such banks can improve on, especially by enhancing tangible product/ tangible determinants and intangible determinants being measured with three dimensions of service quality. Additionally, the significance of the study is to aid Islamic banks in improving tangible product/ tangible determinants and intangible determinants that contribute towards customer satisfaction. The study assesses customer satisfaction in Islamic banks in Bangladesh by raising two concerns pertaining to client satisfaction. The information was obtained through a structured questionnaire where the sample population was the clients holding accounts in the Islamic banks in Bangladesh. First, the study highlights what motivates customers in dealing with Islamic banks instead of a conventional bank in the country, and secondly, what was the level of satisfaction among the clients. The findings of the study are expected to benefit various areas related to the overall Islamic banking system, included are the IB management, Shahriah compliant policy-makers, IB personnel, and other IB related providers. Some of the areas identified are listed as follows: *Islamic Banks' personnel*: The intangible determinants level of commitment exhibited and level of compassion displayed by the IB personnel were important as they augment the quality of services, which when coupled, yielded greater satisfaction. Kashif et al. (2016)[20] and Saad (2012) [31]highlighted that service quality enhanced customers' satisfaction. For this reason, the significance of this study is to help improve aspects of intangible services quality which would subsequently lead to increased satisfaction among clients in Islamic banks in Bangladesh. *Shahriah compliant policymakers*: Besides, the study entails pointing out that there was a demand for Shahriah based innovative products and services that can subsequently lead to increased satisfaction among the clients. As Hoq, Sultana, and Amin (2010)[17], articulated, with the increased availability of innovative services and products, there was bound to be an increased competition to attract and retain both non-Muslim and Muslim clients, and thus, the competitive edge was often obtained when the bank adopted a strategy of innovation. However, the significance of the current study was to highlight that there was need of more Shahriah compliant products and services that the Islamic banks in Bangladesh should adopt, which in turn would lead to increased satisfaction among clients, and thereby would incur increased loyalty and trust. *Management of Islamic Banks*: Kashif, Rehman, and Pileliene (2016)[20] articulated that in an era where competition was so intensified it makes each bank to struggle in sustaining market share thus achieving customer satisfaction was paramount. Essentially, as the

researchers articulated, customer satisfaction usually leads to customer loyalty, which was often referred to as the customer's positive behavioral and attitudinal response to marketing stimuli within the service sector. By achieving customer satisfaction, Islamic banks in Bangladesh stand to achieve behavioral loyalty and trust, which were extremely important as they reflected the customer's positive responses in repurchasing or reusing the bank's service or products. According to Hamah, Ishak, and Nor (2015), high performance of organizations, as well as a fully satisfied customer were the extensions of promoting the organization, which eventually helped it to stand strong in the market, as well as become more competitive. *Other Islamic Banking Provider:* Finally, the study is expected to provide insights to the Islamic banking providers who would be able to make better decisions with regards to investments for speedy expansion and growth of their respective IBs. In essence, as Hoq et al. (2010)[17] articulated, customer satisfaction was enhanced by trust and loyalty. The researchers pointed out that trust was a focal key in the development of the relationship between customers and banks. The purpose of this study is to highlight how banks could achieve customer satisfaction that would lead to an increased trust and loyalty from clients. In essence, once banks achieved client satisfaction, they stand to increase their productivity, as well as it could help enhance their likelihood to achieve their short-term and long-term objectives. Besides, the importance and significance of this study were based on its focus of Bangladeshi Islamic banks, where the findings will add a further dimension as most of the previous studies on Islamic banks have been conducted on non-Bangladeshi banks.

The following were the research objectives that the study aimed to address:

- RO 1: To evaluate the relationship between tangible products offered by the Islamic banks and customers' satisfaction.
- RO 2: To what extent there is an association in the services provided by the personnel of the Islamic banks and customers' satisfaction.
- RO 3: To evaluate the effect of the level of commitment exhibited by the Islamic banks on customers' satisfaction.
- RO 4: To evaluate the effect of the level of compassion shown by the Islamic banks on customers' satisfaction.

The current study only focuses on the full-fledged Islamic banks in Bangladesh, and thus, it excludes other conventional banks, having Islamic subsidiary or Islamic windows in the country. However, the current study examines four independent variables, (tangible aspects and three intangible aspects) which had an impact on customer satisfaction from the perspective of the clients holding accounts in at least one of the full-fledged IBs in Bangladesh. The contribution of the study would be in two folds: First, customer satisfaction is regarded as an ambiguous concept, even though the phenomenon existed

and was measurable but in order to be understandable and defined in particular other indicators were used, such as loyalty shown towards the banks (Amin et al., 2013[7] & Kashif et al., 2016)[20] and trust which was perceived as one of the most relevant antecedent of customers' satisfaction (Amin et al., 2013[7]; Saqib et al., 2016 [35] and Hoq et al., 2010)[17]. Second, the study focuses on how the banks could improve the four aspects that are expected to have impacts on customers' satisfaction, which could significantly aid in increased profitability and growth. The study is limited to four independent variables. It only highlights how these independent variables contributed towards the dependent variable, customer satisfaction. This paper is structured according to sections. Section 1 of this study entails in presenting an overview that included the problem statement, the purpose, and significance of the study, the research objectives of the study and the scope of the study. In particular, the study identified the problem, which was dissatisfaction of the clients in Islamic banks in Bangladesh. For this reason, the section highlights why customer satisfaction was important for clients in Bangladeshi Islamic banks. Section 2 focuses on the literature review that was related to, the dependent variable, customers' satisfaction (trust, loyalty) and the independent variables, which included the tangible factors and the three intangible factors, which were particularly related to service quality. It focuses on how the independent variables helped to enhance the customers' satisfaction. As such, it covers various aspects that the Islamic banks in Bangladesh should cover to promote customers' satisfaction in order to help achieve the goals, which included growth and profitability. Section 3 includes the proposed framework, hypotheses, and data analysis technique. Additionally, it incorporates a detailed research design needed to conduct this study. The section includes various methodologies of data collection procedure along with the appropriate techniques, which ensures the use of proper protocols and analysis. Section 4 presents the results in the form of data generated and analyzed through Statistical Package of the Social Science ("SPSS 21.0"). The section comprises of the summary of statistics, measure analysis, results, and findings of the study. The data presented in section 4 reflects the methodology provided in section 3. Section 5 presents a summary of the research results and study's validated model as they were related to the research objectives and literature review. The section entails various limitations and suggestions for the future research.

## 2. LITERATURE REVIEW

Customer satisfaction is derived from fully meeting the expectations of the customer pertaining to the products and services offered. In essence, Hoq et al. (2010)[17] articulated that if the perceived performance was deemed to match or was over the expectations of the clients, then

they were more likely to be satisfied. On the contrary, as the researchers articulated, they are dissatisfied. Even so, it was vital to highlight that the expectations were influenced by prior experiences of the clients with the products or services. For this reason, customer satisfaction was representative of a modern approach to assess service quality in organizations that served in Islamic banks and thereby aided the IBs in developing a truly customer-focused culture and management. Client's expectations and preferences remained as the immediate ways to measure satisfaction (Kashif et al., 2015[21]; Echchabi & Nafiu Olaniyi, 2012)[12]. According to Genc, Okumus, & Artar (2016)[14], the Islamic finance/banking industry on a global scale had experienced years of a double-digit growth, approximated at 16% in assets between 2007 and 2013, which was coupled with single digit growths of close to 9% in 2014 and 8% in 2015. Besides, Genc et al. (2016) highlighted that in a recent survey of Islamic banks, 79% had an increase in total assets while only 21% reported a decrease. Many of the Islamic banks reported profits. For instance, as Genc et al. (2016)[14] highlighted, the survey indicated that 294 of the Islamic financial institutions' studies had an increased profit while only 52 reported a fall in profit for the years 2014 and 2015. Besides, Genc et al. (2016)[14] found out from the Banker's survey conducted in 2015 reported that Islamic banks globally had been performing well in recent years, even though there had been a slight drop in the growth of total assets between 2014 and 2015. For this reason, it was vital to consider Bangladesh and highlight whether Islamic banks experienced an increased or experienced a fall in the profit, where banks that performed well and reported higher profit were directly correlated to increased satisfaction, while a drop in profits signified dissatisfied customers. The sample of the study was the eight full-fledged Islamic banks in Bangladesh, which were: Islami Bank Bangladesh Ltd. (IBBL), Shahjalal Islamic Bank Ltd. (SJIBL), ICB Islamic Bank Ltd (Started as Al-Baraka Bank Bangladesh Ltd) (ICBIBL), First Security Islamic Bank Ltd. (FSIBL), Export Import Bank of Bangladesh Ltd. (EXIM), Al-Arafah Islami Bank Ltd. (AIBL), Social Islami Bank Ltd. (SIBL) and Union Bank. These banks were important for this study as they could help in highlighting the level of customer satisfaction in IBs. For banks, as Hamzah et al. (2015)[16] and Saad (2012)[31] noted, customer satisfaction was driven by factors, which essentially included service quality. Included in this research were other factors, including the dependent variable, customer satisfaction having three dimensions (general, trust, loyalty), and the independent variables included tangible products, and intangible services (whereby the dimensions were personnel service quality, level of commitment, and level of compassion). The literature review covered these aspects and will be discussed in the subsequent subtopics. Highlighting the need for Islamic banks in Bangladesh for an improved customer satisfaction was paramount.

## 2.1 Customer Satisfaction

Customer satisfaction is defined as the percentage of the clients who reported experience exceeded specified product or service satisfaction level or the expectations of the service or product that exceeded those anticipated by the client (Saqib et al, 2016)[35]. Amin, Isa, and Fontaine (2013)[7] articulated that, "If the perceived performance matched or even was beyond customers' expectations of services, they were satisfied. If it does not, they would be dissatisfied." Besides, Hoq et al. (2010) pointed out that there were two conceptualizations of satisfaction, which were cumulative satisfaction and transaction-specific judgments. While the transaction-specific judgments were clients' reactions and prior experiences to a particular service or a product previously encountered, cumulative satisfaction, on the other hand, referred to the overall evaluation of the consumption experience derived from consuming the product or service over a period of time. As such it can be derived that satisfaction was reflective of the degree to which the consumers believed in using a product or service. Even so, customer satisfaction was a complex construct, and therefore, understanding customer satisfaction was challenging. Offering new services to customers through an understanding of existing and futuristic market trends was paramount, and also, International Standardization Organization (ISO) identified the need for companies to adopt corporate efforts geared towards delivering client satisfaction, mainly via Clauses 4.1.6 and 8.2.1 of the ISO 9000:2000 guidelines, which required integrating new services into the core strategies (Andaleeb, Rashid, & Rahman, 2016)[9]. For this reason, Islamic banks in Bangladesh should build their capabilities and competencies in line with customer requirements for them to properly handle the expectations of the clients in order to serve them in a meaningful manner. However, one major pitfall that Islamic banks suffer was competition from both Islamic and non-Islamic banks. Yet, as Kashif, Rehman, Wan Shukran, and Sarifuddin (2015) highlighted, service providers, such as banks, actively pursued to satisfy customers in an effort to achieve brand loyalty, which could lead to possible advantages to organizations, for example, higher market shares, reducing the costs so as to offer competitively priced products, as well as boosting the morale of workers. Some of the factors Kashif et al. (2015)[21] highlighted in guarding against competition included customer satisfaction, which depended on service quality and loyalty. Imran, Samad, and Masood (2011)[18] and Saad (2012)[31] highlighted the substantial impact of service problems on customer satisfaction as well as their willingness to switch services; the researchers pointed out that service quality was an essential determinant of satisfaction among the clients. As such, customer satisfaction was usually dependent on the quality of the service or product offered, and thus, the former was an antecedent of the latter (Shiraj, Shameem, & Nawaz, 2014)[37]. Shohrwardhy (2015)[38] conducted a study

about customer satisfaction of Islamic banks in Bangladesh. The study exposed that customer satisfaction significantly affected operational performance of Islamic banks in Bangladesh. Shohrwardhy (2015)[38] pointed out that the core product that the bank offered, their overall qualified human resources, and the banks capability for an improved service capability, the standard systemization of an efficient service delivery, as well as the social responsibility undertaken by the banks significantly correlated with customer satisfaction of Bangladeshi Islamic banks. Shohrwardhy (2015)[38] found that an efficient and quick systemization of service delivery and more qualified human resource were the most important factor that measured customer satisfaction of Islamic banks in Bangladesh, which was then followed by the core services offered by the banks or the variety of products proposed, social responsibility undertaken by the banks, and improved service capability.

Satisfied clients usually remained loyal as they promised a long-term relationship with a service provider. Essentially, since banks, being in the service sector, maintained direct contact, mostly face-to-face relationships, with their clients, it demanded them to offer the best interactions so that clients remained satisfied and the banks successfully retained them subsequently. As such, assessing customer satisfaction was imperative; as the acceptability of new services and products, as well as achieving increased market share needed attention in order to achieve better business results. Most importantly, even though an Islamic bank competed with conventional and other Islamic banks, it should maintain a sufficient number of satisfied clients to market new services and products. Further, in the case of diminishing market share, achieving success remained the question of Islamic banks even with the persistence of competition (Farook & Zafar, 2014). It was vital for managers to comprehend the factors of client satisfaction, as well as the levels to which they were satisfied to precisely target and respond according to the customer needs. Besides, Sayani (2015)[33] suggested that decline in satisfaction yielded a dropping Return on Investment (ROI) while increased satisfaction among the clients would lead to a positive impact on the ROI. Customer loyalty in the service industries, including banking, was challenging primarily because even satisfied customers may prefer switching to other service providers to seek a variety of services or products (Kashif et al., 2015)[21]. As the researchers articulated, customer switching usually stems from increased or concentrated competition among companies offering similar products and services. Customer loyalty also could lead to behavioral and attitudinal loyalty among the clients (Kashif et al., 2015)[21]. To encourage loyalty among the clients, it was vital for organizations to identify the factors that customers valued and thus resources should be allocated accordingly. Uddin, Khan, & Mohammad, (2015) [40] conducted a study evaluating the use and awareness of customers of Shariah-based services and products

provided by Bangladeshi Islamic banks and customer satisfaction can be derived by offering Shariah-based practices in the financial institutions in Bangladesh. The findings indicated that 56% of the Islamic bank clients dealt with conventional, as well as Islamic banks. For this reason, it can be derived that many clients are not loyal to only Islamic banks, and considered conventional banks in the country. In essence, since the current study is focused on Bangladeshi Islamic banks, this remains a point of concern primarily because there seems to be a problem with client loyalty, which should be corrected as soon as possible by ensuring that customers remain satisfied. Uddin et al., (2015)[40] attributed the finding to the fact that Islamic banks did not have a nation-wide branch network, and did not provide the services that conventional banks offered to the clients, for example, fixed-income. As such, these instances of lack of services yielded decreased loyalty among the clients. Besides, Sharma and Chaubey (2014)[36] highlighted customer satisfaction was dependent on the use of technology, which subsequently could lead to increased loyalty. As the researchers, Riaz, Awad, & Nadia (2014)[30], compared in their study the technological advancement of conventional banks as opposed to IBs which declared themselves as a full-fledged Shariah based banks were far behind. However, Riaz et al. (2014)[30], has also noted that the IBs were trying to speed up their progressiveness in the technological advancement. Therefore, it can be deduced that the IBs would be able to overcome the problem in the future, which they were facing due to the lack of loyalty among customers who seemed to seek technological advancements. This essentially points out that measuring loyalty among the clients signified to what extent the customers are satisfied. Amin, Isa, and Fontaine (2013)[7] conducted a study on contrasting levels of customer satisfaction on trust, image, as well as the loyalty of both non-Muslim and Muslim customers in Malaysia. They considered trust as a multifaceted and dynamic concept. Within the Islamic context, trust was defined as a moral obligation of every person in the performance of his or her duties in the society (Ltifi, Hikkerova, Aliouat, & Gharbi, 2016[23]; Amin, Isa, & Fontaine, 2013)[7]. Essentially, they highlighted that Islam placed emphasis on trust and considered being trustworthy was an obligatory trait. For this reason, the foundation of the dimension of trust in Islamic banks was a symbol of being trustworthy, there needed to be sufficient equity amongst the different types of account holders, the banks needed to treat their clients with equality, as well as remaining honest with the clients was amongst the critical role which would essentially enable to enhance the relationship between clients and banks. Besides, compliance with the terms, rules and regulations as promised by the banks to their clients and strengthened corporate governance so that the banks remained ethical especially with regards to Islamic principles were regarded as the most important pillar of trust, if the IBs could make their practicing clients believe

that they were running the banks as per the Islamic Shahriah principles than the banks can remain assured that they would be able to sustain in the long-run (Ali & Raza, 2015[6]; Ltifi et al., 2016[23]; Amin et al., 2013)[7]. From this, it can be derived that Shahriah principles followed by the bank and the perceived belief among the customers that the banks operated according to Shahriah principles are one of the most significant factors that would lead to more satisfied clients Saqib et al. (2016)[35]. In the banking sector, clients should be able to trust the institution with their wealth, and if there was trust, then the customers stand a higher chance to be more satisfied (Saqib et al., 2016)[35]. As Saqib et al. (2016) articulated a positive compliance perception of the Islamic banks, lead to trust, as well as if the IBs were able to show harmony it would yield to a higher level of satisfaction. Through trust, clients were willing to uphold long-term relationships, which resulted in customer satisfaction (Andaleeb et al. 2016)[9]. As Andaleeb et al. (2016)[9] highlighted, there should be quality interactions between banks and clients, and the employees dealing mostly with the operational level should be able to make the customers feel that the bank was working for the benefit of the clients. When these parameters were met, then clients remained to be more satisfied. Therefore, it can be deduced that trust as a dimension in order to measure satisfaction among the clients can be achieved fundamentally when the IBs would put much effort to the perceived belief that they put Islamic principals at the topmost priority and having an impact on the perceived belief would require quality interactions in a more convinced manner.

## **2.2 Tangible Aspects (Products/Services)**

Banking services and products should be differentiated in a variety of ways that offer client satisfaction. These include enhancing the brand image of the respective Islamic Banks, among enhanced image included the increased Corporate Social Responsibility (CSR) and an improved reputation (Ahmad et al., 2011[3]; Riaz et al., 2014)[30]. It requires the banks to enhance the product or services offered in Islamic banks; it is important that the banks provided greater and easy access to services, which include the number of location of branches, availability of Automated Teller Machines (ATMs), as well as an efficient mobile or e-banking services (Estiri, Hosseini, Yazdani & Javidan Nejad, 2011[13]; Sayani, 2015)[33]. Accessibility involves reachability of the bank services, as well as the capability of enabling communication between the bank and the clients. As such, this means that the services should be easily accessible not only physically but also via telephone, as such, lines should not be busy, and the personnel did not put the clients on hold. Banks should have also reduced the waiting time required to serve the clients and should have ensured that they were open at appropriate hours. Besides, as Sayani (2015)[33] and Estiri et al. (2011)[13] articulated, the Islamic banks should be able to offer excellent services, which was

projected by training personnel so that they would be able to serve the customers better, as well as an improved physical appearance of the branches. Additionally, the banks should be able to provide a one-stop shop for most of the banking services offered. Customer satisfaction is achieved by using investment in tangible aspects, which included the number of branches and viable location of branches, which would subsequently improve the accessibility of the services offered by Islamic banks (Estiri et al., 2011; Sayani, 2015). Besides, Sayani (2015) goes further and has articulated that banking services should be accompanied by appropriate internal policies where all the employees engaged in performing their respective roles would adhere by the policies, as well as training personnel so that they would be able to offer convenient services as demanded according to clients' specific needs and thus target relational factors for a longer term relationship and ultimately would lead to retaining the customers. In addition, it was important that the clients had been confirmed with regards to confidentiality. The above-mentioned factors required training and additional investments, however, it should be noted the bank required efficiency in achieving them so that there should be minimum resource implications on the process. As such, even though Sayani's (2015) study focused on Islamic banks in the United Arab Emirates (UAE), he recommended that banks should find means of striking a balance between the cost of offering customers excellent services and the benefits that they could ultimately derive, which could possibly lead to an increased ROI, that would lead to greater satisfaction among the investment account holders. In another study conducted by Genc et al. (2016), which focused on Islamic banks in Turkey, the researchers highlighted that the degree of satisfaction with the product or services was often determined by the attributes of bank loans with favorable terms, perceived image and reputation. Favorability of bank terms, image, and reputation increased customer satisfaction was confirmed by other researchers, (Ahmad et al., 2011; Riaz et al., 2014)[30]. Besides, the researcher pointed out that the age of the banks was among the factors that the clients often considered, especially for corporate customers. Genc et al. (2016)[14], in his study based on Turkey reported that for Islamic banks, even though the staff should adopt to gain an increased market share, the fundamentals of participation banking with customers, as well as other parties are related and could possibly play a vital role for an increased market share. In essence, the participation of clients in the creation of better services was paramount, which subsequently leads to increased awareness of the paradigm of Islamic banking (Naser et al., 2013[26]; Adrutdin et al., 2016)[1]. As compared to conventional banks the concepts and the fundamentals of Islamic banking was still at a developing state. However, investment undertaken by the Islamic banks in viable and quality tangible products are expected to bring greater awareness among the heaps of account holders who are

involved in a variety of financial sectors. Besides Estiri et al. (2011) highlighted that the Islamic banks were also obliged to offer products or services that meet the different types of financial needs of the banks and the clients, instead of restricting themselves to mostly micro businesses which many risk-averse banks often tend to offer, and thus in order to have gained a rapid and capture a vast market share they were in need of a growing customer base. Besides, the Islamic banks needed to prove to the clients that they were commercially viable and this would need the Islamic banks to have engaged themselves in more tangible determinants, as the other counterpart financial institutions, which also included the conventional banks.

In accordance to Ozatac et al.'s (2016)[27] study, which was conducted in Northern Cyprus, there were various service variants that banks could use, which included online banking, telephone banking, ATMs, as well as branch visits. For this reason, it was important that Islamic banks provided these service variants to capture more clients. Kontot, Hamali, and Abdullah (2016)[22] and Echchabi and Nafiu Olaniyi (2012)[12] highlighted that banks should be able to meet the preferences of customers, and articulated that the client preference was a marketing term that meant the likelihood to choose one thing over another. For this reason, this implied that Islamic banks should be able to offer a variety of services to satisfy the customers. As Kontot et al. (2016)[22] and Echchabi and Nafiu Olaniyi (2012) pointed out, from a psychological point of view, preference was viewed as an individual's attitude towards a set of objects that had the capability of stimulating his or her behavior in the decision-making process. Preferences, in this case, involved meeting the needs of clients, such as including the availability of ATMs, online banking, telephone banking, as well as erecting various branches, which subsequently would enable the bank to capture more clients, as well as meet their preferences (Echchabi & Nafiu Olaniyi, 2012). Besides, Kontot et al. (2016)[22] and Ahmad and Hassan (2007) highlighted that Sharia compliance was a paramount aspect that should be included in every Islamic bank. However, the researchers were particular in that they stated, "In today's Islamic banking, the equity-based instrument has been given high priority rather than placing great emphasis on social welfare responsibility and religious commitment." As such, it can be deduced that Islamic banks should not solely focus on generating profits, but should have also considered the developments of Shariah compliance, as well as ensuring equitable growth. Therefore, it can be deduced that the Islamic banks, in particular, could have experienced more growth over the years if they were successful in striking a balance between offering a variety of equity-based instruments and at the same time the equity-based instruments were in line with Islamic principals, which would eventually lead to the growth and speedy expansion in Islamic Banks. Besides, Kontot et al. also highlighted the need to observe morals, stating, "the

behavior of the participants concerning on Shariah-compliant, "riba" free and virtuous morals signified the influence of religion in moderating customers' decision-making." Additionally, as Ullah (2014)[41] stated, it can be derived that religion played a significant role in Islamic banking, of which Islamic morals should be able to uphold which would enable the Islamic financial institutions to satisfy their clients, who were mostly practicing Muslims.

### **2.3 Intangible Aspects**

Service, in the context of this study, can be defined as an intangible product, for example, accounting, insurance, or banking, and thus, it cannot be sold and only came into existence at the time of buying or consumption. Service quality was thus meant to be able to meet the service expectations, which yielded satisfaction. According to the findings of Kashif et al. (2014), he pertained that customer satisfaction and service quality among marketing researchers had become a norm. In essence, the achievement of providing the minimum level of service quality as expected by the buyers was attributed only if customers could be retained over a longer period, which signified that customers were satisfied. According to Farook and Zafar (2016), strategic positioning particularly on Shariah, was extremely necessary for Islamic banks to achieve a significant market share. The researchers, along with Mohsin Butt and Aftab (2013)[25], highlighted that the establishment of Islamic financial institutions as an element of Islamic financial system had its roots in the Muslim core beliefs regarding lawful (Halâl) and unlawful (Harâm) financial affairs. Farook and Zafar (2016) particularly stressed that the majority of Muslim customers of Islamic banks maintained their accounts with Islamic banks solely because the clients perceived that the operations of the banks were in line with Islamic Shariah (which Islamic law) that surpassed every other benefit that the clients were looking forward to, even the rate of return or financial gain. In their research, Farook and Zafar (2016) and Mohsin Butt and Aftab (2013) found that Shariah compliance perception played a significant role in customer satisfaction. Quality of the service was heavily dependent on the quality of the personnel dealing with the clients (Ali & Raza, 2015). Besides, as Sharma and Chaubey (2014)[36] articulated, in the financial service industry, service providers should have maintained a superior service quality, which was considered important in achieving customer satisfaction, growth, as well as value creation. Also, the ability to comprehend consumer needs concerning the service or product was critical to measuring the level to which the client was satisfied. Essentially, as Sharma and Chaubey (2014) and Awan and Shahzad Bukhari (2011) pointed out, every business organization aimed to satisfy the clients largely, primarily because the customer satisfaction laid the foundation for the business success. Service quality, however, as Sharma and Chaubey (2014) highlighted was dependent



on the use of technology, which drove customer satisfaction, which subsequently leads to increased loyalty. The researchers also pointed out that perceived service quality strongly influenced the emotions of the clients, which had a strong impact on the perception of the service experience and client satisfaction. Besides, Adrutdin, Ali, Jaafar, Hassan, and Rahim (2016) articulated that interaction quality, as well as the outcome of the service, were paramount towards achieving optimum service quality. Services that were delivered promptly and efficiently were likely to meet and exceeded the expectations of the customers, which yielded a greater satisfaction, and resulted in trust, as well as an extended relationship between the customer and the service provider (Shiraj et al., 2014[37]; Ali & Raza, 2015)[6]. As Sayani (2015) and Awan and Shahzad Bukhari (2011) noted, service quality was closely related to satisfaction among clients, which was vital for financial institutions since the clients bought promises that their welfare and funds will be looked after in the best possible way, and thus, had an impact on the clients' perception of how the banks would fulfill this promise. Sayani (2015) and Mohsin Butt and Aftab (2013) further highlighted that service quality was the most significant factor in generating customer satisfaction within the banking sector. Besides, service quality as Ozatac et al. (2016)[27] articulated, was dependent on security and that the bank should not have any apparent risk, jeopardy, threat, or uncertainty. Essentially, this involved physical safety, confidentiality, and financial security, which were vital considerations when clients considered banking with Islamic banks. Besides, the banks should also ensure that they understood the client's needs, which involved learning the specific wants and preferences, as well as providing personalized care and attention and recognizing the regular customer. Ozatac, Saner, and Sen, (2016)[27] and Mahmood & Osman (2015)[24] pointed out that personnel service quality was a determinant of service quality. Personnel service quality must contain a continuation of dependability and performance. As such, this meant that the bank should perform the service correctly such as righteousness in the billing process; kept the records right, and the services should be accomplished in time. For this reason, as Ozatac et al. (2016) pointed out, service providers must be responsive and that the banks should hire employees with the voluntariness and willingness to provide excellent service to the clients, which yielded satisfaction. As such, the authors articulated that the service should contain up-to-datedness of the service, turned to clients as soon as possible, realized unfavorable mistakes quickly and acted on it by fixing them, and should have served the clients fast enough, and remained punctual. For this reason, it can be derived that the employees were also determinants of whether the services offered by the personnel would satisfy the clients. Less competent employees were associated with decreased customer satisfaction. Besides, according to Ozatac et al. (2016)[27], the employees

should be competent enough, which meant that they had to possess the asked and needed skills and knowledge to perform the service. Competence was mainly concerned with skills and knowledge of contact personnel and operational support staff, as well as the research capability of the organization, for example, the ability to search for the most profitable stock in the market for the clients, which potentially related to the investment account holders & equity-based products offered by the banks.

The level of commitment, as Andaleeb et al. (2016)[9] highlighted, refers to the extent to which a bank does things in supporting the interest of the community, client, and even the country. Since banks required continuous interaction with the clients, the personnel should have shown commitment to taking care of the needs of the clients. Besides, banks should have provided a favorable atmosphere for the clients, especially when they were seeking advice. The Islamic banks should have reinforced that they were able to help the clients, in both good and bad times, and that; they were able to clarify that nothing would stand in their way in order to establish better service relationships. As such, the banks, as Andaleeb et al. (2016) highlighted, Islamic banks should show importance in the bank-corporate relationship. In fact, Andaleeb et al. (2016) highlighted various aspects that ensured a high level of commitment, such as, no instances of exploitation, met the client's interest, upheld honesty, treated them fairly whereby there were no claims of invalid things, provided all the relevant information, as well as treated clients with goodwill, and kept their promises. In essence, when these aspects were met, Andaleeb et al. (2016)[9] highlighted that these would lead to high customer satisfaction and eventually the customers could be retained over a long time. As highlighted by Andaleeb et al. (2016), where he mainly focused on corporate clients of Islamic Banks operating in Bangladesh, he deduced that corporate clients remained more satisfied only if the clients experienced that there was a high level of commitment from the banks. As suggested by Andaleeb et al. (2016)[9], the banks in order to have a larger satisfied customer base the IBs would have to invest in human capital so that they can efficiently serve the customers, must take into consideration customers complaints and accordingly redesign the internal policies, and finally to have an impact on the perception of the customers that the banks are committed to serving the clients better the banks must have an improved service delivery standard.

Another important determinant factor worth considering when delivering service included courtesy, which entailed the use of compassion to serve the clients. Essentially, the personnel should be courteous and respectful when they were dealing with the clients, whether it was a face-to-face interaction or over the telephone conversation (Mahmood & Osman, 2015[24]; Bashir, 2013). In addition, personnel service quality significantly in Islamic Banks required the personnel to show respect with regards

to the Islamic principles (Mahmood & Osman, 2015; Bashir, 2013)[11]. As Ozatac et al. (2016) articulated courtesy was concerned with kindness, esteem, decency, respect, prominence, as well as friendliness, which were attributes the bank personnel should have had. Essentially, as the authors articulated, courtesy entails considering the client's commodity and ensuring that the public contact personnel was neat and clean in appearance. Thereby, banks had to always maintain communication with the clients by oral language by using that was understandable and clear, as well as had to listen to them without interruptions. The bank personnel should have been able to calibrate the language they used in accordance with the level of education and intellectual status of the clients, keeping in mind that it varied from one person to another. The bank personnel should be credible, meaning that the personnel should be trustworthy, reliable, stable, honest, as well as served the customers with integrity. According to Andaleeb et al. (2016)[9], compassion referred to the Islamic bank's concern for customers. As the scholars, highlighted, compassionate workers should show empathy to the clients within banking rules. As they actively desired to alleviate suffering or help others was regarded as compassion. The service personnel in banks should provide an extra attention, which would impress the customers, through which the bank could create conditions for exceeding the expectations of the client, and ultimately that would possibly meet customer satisfaction (Andaleeb et al, 2016). For instance, corporate clients would like useful advice from the service personnel and executives. As such, banks had to provide compassionate services which required impressing the clients and the process required improved service initiatives on a continuous basis, which in turn was expected to lead customer satisfaction (Andaleeb et al, 2016). For instance, clients should be given personal attention in Islamic Banks, in order to address financial problems of their customers, assisted them in times of difficulties, and advised them accordingly (Andaleeb et al., 2016)[9]. Moreover, as the researchers articulated that banks were concentrating in being more profitable, under such circumstances to have a greater customer base, it required the banks to be more attentive to customers' concerns likewise, an essential element of the level of compassion. Additionally, as Andaleeb et al, 2016, suggested that some customers would like the banks to be more flexible in the policies for different types of transactions, and thereby it would have an impact on the perception of the customers if the bank were compassionate enough towards them. However, as found in the study conducted by Andaleeb et al, 2016, clients were more satisfied when the banks displayed a higher level of compassion.

### 3. METHODOLOGY

This section includes a detailed explanation of the research framework, which incorporated the overall structure of the framework and its context. This research was carried out based on the quantitative research method, with the use of structured questionnaire. The research process involved literature review to identify the independent and dependent variables as well as the relationship amongst these independent and dependent variables. To conduct the survey, a self-designed questionnaire was established to collect the data for subsequent analysis. A Likert-type interval scale ranging from Strongly Disagree, Disagree, Neutral, Agree, and Strongly Agree was used to describe the level the satisfaction of customers holding accounts in the Islamic banks. The second section of the survey tool measured the dependent variable from three dimensions, whereby the third section was included to describe the level of satisfaction that customers deemed to hold with regards to the four Independent Variables. However, a pilot test with 30 respondents was conducted to determine the understanding of the respondents towards the question meaning and clarity of the questions, where these 30 respondents filled out an additional form of pilot survey evaluation. Thereafter, we eliminated any issues and problems and made all other necessary adjustments according to the suggestions made by the pilot respondents. Next, we restructured the questionnaires to be more objective and clear before distributing the questionnaires to the target population. Besides, to gather an in-depth understanding of the study, purposive sampling was used. The pilot test results were statistically analyzed by conducting reliability test to ensure the constructs were feasible to continue.

#### 3.1 Research Framework & Hypotheses Development

The theoretical framework examined the customer satisfaction in Islamic banks. For this research study, we applied a correlational research scheme. We selected a correlational investigation technique as the best suitable scheme, as it involved examining associations among variables mathematically (Naser et al., 2013[26]; Hamzah et al., 2015)[16]. A researcher conducted a correlational research study when the objective of the study was to analyze relationships quantitatively among variables or to determine the influence of various independent variables on a particular dependent variable (Sharma & Chaubey, 2014)[36]. The correlational research design was an appropriate match for this investigation shall not manipulate any variables or utilize a controlled experimental examination environment. As such, we correlated the dependent and independent variables to highlight how the customer satisfaction as a dependent variable was affected. To further strengthen the study, we used frameworks suggested by Amin et al. (2013)[7], Kashif et al. (2016), Andaleeb et al. (2016)[9], Saqib et al.

(2016), and Hamzah et al. (2015). These researchers used various factors, which in this study were considered as the independent variables to determine the level of customer satisfaction (dependent variable). For this reason, some of the variables that the above-mentioned researchers used were the basis to come up with the proposed research framework for the current study. However, for the purpose of this research, customer satisfaction has three dimensions, namely- general customer satisfaction, trust and loyalty (dependent variables) having the independent variables, tangible product/ tangible determinants and intangible determinants being measured with three factors of service quality, namely- personnel service quality, level of commitment, and level of compassion.

The hypotheses were formulated accordingly, from the Literature Review and the Proposed Research Framework

(see Figure 1), in accordance with independent variables, dependent variable, and research objectives. The formulated hypotheses are as follows:

H 1: Customers' satisfaction towards Islamic banking was higher if they believed that Islamic banks have superior tangible products.

H 2: Customers' satisfaction towards Islamic banking was higher if they had a positive image of the personnel service quality.

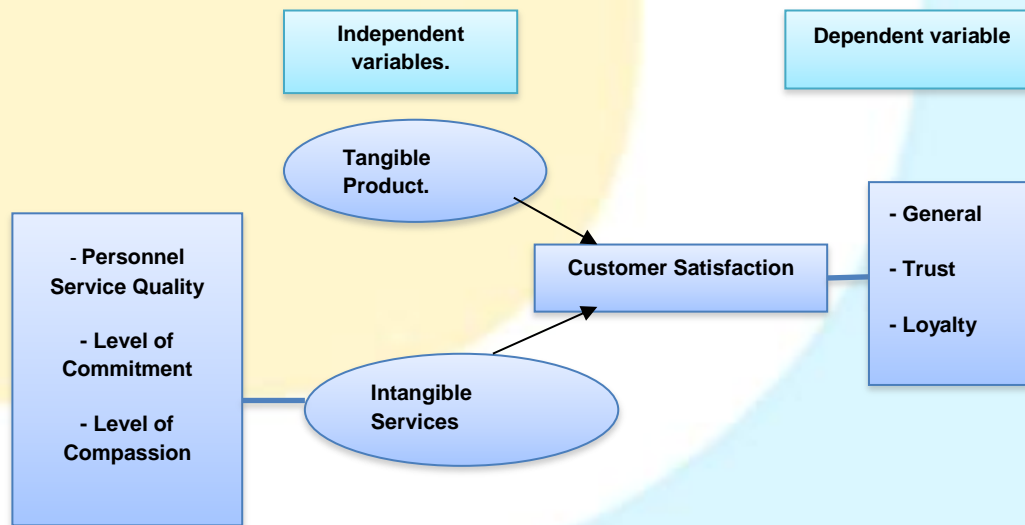
H 3: Customers' satisfaction was higher in Islamic banking with an increased level of commitment.

H 4: Higher the level of compassion displayed by the Islamic banks and their employees, higher the client's satisfaction.

### 3.1.1 Proposed Research Framework

The proposed research framework is shown below:

Figure 1: Proposed Research Model



This conceptual framework was adopted from the several researchers' literature review to serve as the foundation for this study. However, the study was based on five main sources, and a couple of supplementary sources to strengthen the research framework further. The main sources included were, Amin et al. (2013)[7], Kashif et al. (2016), Andaleeb et al. (2016), Saqib et al. (2016)[35], and Hamzah et al. (2015)[16].

## 3.2 Research Design

The survey was designed to obtain information from the clients who were currently holding accounts in the various Islamic Banks in Bangladesh, in order to assess their satisfaction and how the independent variables defined their satisfaction level. The structured questionnaire was divided into three sections, where the first section was sought to collect background information on the respondents, the second section was designed to collect information regarding their overall level of satisfaction towards IBs and lastly the third section identified the independent variables whereby the respondents were asked to indicate the strength of their agreement for each

of the items included in the four respective independent variables that could possibly influence their satisfaction level. As articulated by Kumar, R. (2014), the quantitative method was applied to obtain primary data whereby survey questionnaire was used as a tool to collect data. Quantitative research, including surveys and questionnaires, could help extract data from the respondents so that the banks could improve their products and services by enabling them to make informed decisions. Quantitative research was about asking people for their opinions in a structured way so that facts and statistics could be produced in a meaningful manner and would eventually facilitate in data analysis. To get reliable statistical results, it was important to survey people in fair numbers and to make sure they were a representative sample of the target market. The structured questionnaire served as the most significant tool in the data collection methodology. The study used a purposive sample design to recruit the samples of clients that received banking services from various Islamic banks in Bangladesh. Researchers conducted purposive sampling

because it offered accessibility advantage, higher speed, and lesser costs to recruit sample study participants. We supposed purposive sampling because the study participants should match a specific set of inclusion criteria for them to be eligible for participation in the study. Purposive sampling of individuals enabled the researchers to gather an in-depth understanding of a topic as per Kumar, R. (2014). The topic of the study was to assess satisfaction among Islamic Banks Customers' in Bangladesh and the research was designed to understand the perspective of the client who was currently dealing with any of the eight full-fledged Islamic Banks in Bangladesh. Therefore, the respondents chosen were clients holding various types of accounts namely, Current accounts, Saving accounts, Investment accounts, Foreign Currency accounts, Personal accounts, Corporate accounts etc. Most of the respondents were clients from four different full-fledged Islamic banks, namely- Islami Bank Bangladesh Ltd, Shahjalal Islami Bank, EXIM bank, and Al-Arafah Islamic Bank. In addition, we selected friends and family because they were easily accessible, and would help us collect viable information, totaling 236 respondents. The 236 respondents were enough to highlight the level of customer satisfaction in the Bangladeshi Islamic banks. Some of the respondents were the employees of the Islamic Banks itself, as many of the employees were maintaining savings accounts and salary accounts in the respective banks they were currently working. A few of the respondents were the managers of eight different branches of Islamic banks, who were conversant with the customer satisfaction in the Islamic banks. These managers helped us to have access to the employees of the banks who were also clients of the Islamic banks as mentioned previously.

These respondents were able to provide insights on current product, services availed by the Islamic banks, and their perceptions were likewise relevant to measure the level of satisfaction. The perspective of the clients on how each of the independent variables was relevant to the dependent variable was identified from the various analysis of literature review on different types of financial institutions. Self-administered questionnaires were used for data collection. However, the study only involved those participants who were willing to participate in the study. We requested eight bank managers from four different IBs in Dhaka, Bangladesh for permission and thereby collected the maximum of data with their help. The questionnaire was distributed randomly across the four Islamic banks in Bangladesh. The questions used were simple, and thus, they could be filled in 20 minutes. The research used both printout questionnaire and online survey tool (Google Doc). We circulated this survey through the web application, Google Doc, which was previously used for surveys to gather information; it was a rapid approach and one of the most inexpensive means of gathering data Agrawal, Atiq, & Maurya (2016). 300 printout questionnaires were distributed among the target respondents; however, only 234 were returned upon

completion, whereas only 2 respondents filled out through online survey tool (Google Doc). However, 236 respondents completed the survey and it was deemed sufficiently completed to be used. Participations of these respondents were voluntary and there was no remuneration offered. The respondents were assured of their anonymity.

### **3.3 Data Analysis Technique**

We conducted data analyses using SPSS software, where the data collected from the respondents were run in SPSS for the quantitative analysis. We reviewed the data for any missing information. Next, we investigated potential outliers in the data set. If detected, we removed outliers from the data. We conducted statistical analysis using: (1) normality tests, which determined whether the distribution of the variables were in symmetrical fashion or asymmetrical fashion, (2) descriptive test, which highlighted the features of data set and summarized the sample, (3) Factor Analysis tests, that verified the construct validity of the scales could be performed adequately, (4) Next, the data reliability was checked by looking at Cronbach's alpha which ensured internal consistency of each construct, (5) Correlation test, that disclosed if there is any significant relationship between the dependent and independent variables and (6) Multiple Linear Regression analysis which explored the strength of relationships between the dependent variable and each of the independent variables.

## **4. RESULTS & FINDINGS**

This study is intended to assess the satisfaction of the customers of Islamic banks in Bangladesh; consequently, data of 236 customers holding accounts in Islamic banks were collected through structured questionnaire as a survey tool. This section presented the data analysis and key findings based on the various data analyses. The first part entailed Descriptive Analysis to formulate the summary of respondents' background information. Second, it involved the explanatory measurement assessment for different attributes related to Islamic banking by running Factor Analysis & Reliability Analysis to confirm that the constructs used in the survey tool are relevant and valid. Finally, this section dealt with bivariate analysis to verify if there was any association between the dependent variable and independent variables by conducting Correlation Analysis. In addition, it demonstrated the strength and direction of relationships between independent and dependent variables by Regression Analysis. However, before the tests were carried out it was ensured that no missing values or irrelevant values existed in the data entry, which involved Data Cleaning process. The following sub-sections with detailed statistical tests used an alpha level of 0.05 and 0.01. SPSS Version 21 was used for the data analyses. The descriptive statistical analysis was used to identify frequencies and percentages to interpret the background information of the participants in the survey.

**Table 1 Frequency Distribution of the Respondents' Demographic Profiles**

Variables	Category	Frequency	Percent
Gender	Male	180	76.3
	Female	56	23.7
Nationality	Bangladesh	236	100.0
	Others	0.0	0.0
Age	Less than 20 years	3	1.3
	21-30 years	56	23.7
	31-40 years	111	47.0
	41-50 years	39	16.5
	51-60	19	8.1
	Above 60 years	8	3.4
Religion	Islam	235	99.6
	Hinduism	1	.4
Occupation	Self-employed	31	13.1
	Private employed	160	67.8
	Public employed	11	4.7
	Homemaker	19	8.1
	Students	8	3.4
	Retired	4	1.7
	Others	3	1.3
Educational level	Below Secondary	7	3.0
	Secondary	8	3.4
	Diploma/certificate	9	3.8
	Bachelor degree	38	16.1
	Master degree	174	73.7
Monthly income range	No income	12	5.1
	Less than BDT20000	17	7.2
	BDT20001-40000	49	20.8
	BDT40001-60000	56	23.7
	BDT60001-80000	40	16.9
	BDT80001-100000	21	8.9
	More than BDT100000	41	17.4
Total		236	100.0

Table 1 presents the information on the respondents' personal background. The respondents' demographic characteristics consisted of seven items, which included

the participants' gender, nationality, age, religion, occupation, educational level, and monthly income. As stated in the table, the majority of respondents was male,

76.3% and 23.7% were female and all the participants, 100%, and was Bangladesh nationals. The survey-illustrated majority of the respondents, 70.7%, were aged between 21 to 40 years, followed by the age group of 41 to 50, (16.5%). The sampling population was 99.4% Muslims. However, about 67.8% of respondents are engaged in private job whereas, 4.7% respondents are employed by the public sector, and self-employed

accounted for 13.1%. Most of the respondents (73.7%) completed Masters Degree. With regards to income level, 23.7%, of the respondents earned between BDT 40001-60000, followed by those who earned between BDT 20001-40000, (20.8%), followed by 17.4 % whose monthly income range was more than BDT 100000. However, some 16.9 % respondent earned between BDT 60001-80000, and some 5.1% respondents had no income.

Table .2 Frequency Distribution of Customers' Bank Selection and Relationship with Banks

Variables	Category	Frequency	Percent
Bank in which the account is held	Only Islamic banks	120	50.8
	Both Conventional and Islamic banks	116	49.2
Number of years dealing with an Islamic Bank	Less than one year	14	5.9
	1 to 3 years	49	20.8
	4 to 6 years	70	29.7
	More than 6 years	103	43.6
Frequency of visit	Weekly	73	30.9
	Monthly	88	37.3
	Occasionally	75	31.8
Have you switched to an Islamic Bank from a conventional Bank	Yes	137	58.1
	No	99	41.9
Reason for switching from conventional bank to Islamic bank	Riba or interest factor	98	41.5
	Quality of services	21	8.9
	Convenience with branch	18	7.6
Recommend for switching to an Islamic bank	Yes	218	92.4
	No	18	7.6
Total		236	100.0

Table .2 illustrates that 50.8% of respondents have accounts with only Islamic banking system and does not deal with any conventional banks. On the flip side, about 49.2% reported that they held accounts in both Islamic and conventional banks. As a result, holding accounts in both an Islamic as well as a conventional bank enabled customers to make useful comparisons while evaluating both service and product quality considering attributes related to the customer satisfaction. Majority of the respondents, (43.6%) were using Islamic banking systems for more than 6 years, followed by 29.7% who dealt with IBs for 4 to 6 years and 26.7% respondents were using Islamic bank facilities for less than 4 years. According to

the analysis, 37.3%, 31.8%, and 30.9% of the total respondents were visiting their banks monthly, occasionally and weekly, respectively. Most of the respondents, (58.1%) have switched to the Islamic banking system from the conventional banking system and they stated that the main reason of opting for Islamic banking services was because of Riba or interest factor. It is evident from the data analysis that majority of the proportion, which accounted for 71.5% of the respondents changed their banking from the conventional bank because they desired to deal with Shariah compliance banking. The remaining, 28.5%, stated that their main reason to choose IBs were in search of better service

quality or convenience branch location. The majority, almost 92.4%, of the customers stated that they would recommend other customers to switch in Islamic banks from the conventional banks.

#### 4.1 Normality Testing

The normality test of the data is a prerequisite underlying assumption in parametric analyses. Statistically, the data distribution is determined by two numerical measures, namely Skewness and Kurtosis. As suggested by (Ghasemi & Zahediasl, 2012)[15], the data is considered to be in normal range if the values retrieved lies between -

2 and +2. Other researchers such as, (Kumar, 2014) have also confirmed that the normality assumptions would be rejected, if they exceed the range  $\pm 2$  for both Skewness and Kurtosis, subsequently analyses should be based on non-parametric tests. Based on the analysis of the data collected, both Skewness & Kurtosis of all the variables were within the acceptable range of -2 to +2 (Refer to table 3). However, each item in the survey tool was individually tested as well, and it was found that all data were within the acceptable range.

Table 3 Skewness and Kurtosis of Independent and Dependent Variables

Variables	Skewness	Kurtosis
Customer Satisfaction	-0.192	-0.175
Tangible Products	-0.376	0.690
Personnel Service Quality	-0.032	-0.091
Level of Commitment	-0.299	0.059
Level of Compassion	-0.110	0.159

#### 4.2 Descriptive Testing

Mean values of all the variables are analyzed to determine the importance of each item that was included in the structured survey tool (Kumar, 2014). The results indicated the importance of each of the products and services of Islamic banks measuring the overall customer satisfaction. Table 4 has the descriptive statistics for variables based on 236 respondents. As indicated in the

table, based on the mean analysis, all the variables had a score between 4.067 to 3.791. Thereby, it could be said that majority of the respondents either strongly agreed or agreed on the statements in the questionnaire. The attributes which are lower than 4.0, could be due to the neutral feelings of some of the respondents. The items had a mean score between 4.34 to 3.46, for highest to the lowest rated attributes in detail.

Table 4 Descriptive Statistics for Variables

Variables	MIN	MAX	Mean	SD
Customer Satisfaction	2.62	5.0	4.067	0.4938
Tangible Products	1.50	5.0	3.791	0.5840
Personnel Service Quality	2.25	5.0	3.890	0.5667
Level of Commitment	2.00	5.0	4.017	0.5849
Level of Compassion	2.00	5.0	3.913	0.5752

#### 4.3 Factor Analysis Testing

Factor analysis is a dimension reduction technique that is used to reduce a large number of attributes to a smaller set of components. Factor analysis is used in data reduction as the analysis can group similar cases, however, it cannot distinguish between the dependent variable and independent variables (Yong & Pearce, 2013)[42]. It is used to measure constructs as well as to retain variables in a more manageable component. The Factor Eigenvalues measures how much of the variance of the observed variables explains a factor. Factor Eigenvalues must be greater than or equal to 1 to be significant (Yong &

Pearce, 2013)[42]. In this study, Principal Components Varimax Rotated Method has been used to identify the factors influencing customer satisfaction of Islamic banks in Bangladesh. Factor loading with a value of 0.4 and above are retained as they are a pure measure of the constructs (Salem, Sadiq & Abdulaziz, 2007)[32]. The Kaiser-Meyer-Olkin (KMO) measures how suited is the data collected for Factor Analysis. KMO value would range from 0 to 1. In addition, if the value lies between 0.8 to 1, it would indicate that the sampling is adequate, whereas if the value is less than 0.6 it would mean that the sampling is not adequate (Yong & Pearce, 2013)[42]. Bartlett's Test of Sphericity determined the validity and

suitability of the responses collected to the problem being addressed or not. In order for the factorability to be significant, Bartlett's Test of Sphericity should be significant at ( $p < 0.05$ ). If the significance level is lower

than the recommended value of  $p < 0.05$ , it would indicate Factor Analysis is appropriate (Yong & Pearce, 2013)[42].

Table 5 Total Variance Explained by Customer Satisfaction

Total Variance Explained									
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.869	42.932	42.932	6.869	42.932	42.932	3.264	20.400	20.400
2	1.482	9.260	52.191	1.482	9.260	52.191	3.160	19.753	40.153
3	1.131	7.068	59.259	1.131	7.068	59.259	3.057	19.107	59.259
Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy									0.897
Bartlett's Test of Sphericity									0.000

Table 5, the Total Variance Explained, labeled the Initial Eigenvalues, Extracted Components, and Rotated Components. It measured how strong the constructs were and how many items which assessed customer satisfaction is included in the model. According to the analysis, there are three components in the model with Eigenvalues more than 1, which was subsequently retained. This result demonstrated that three components cumulatively explained 59.259%, and consequently, it could be stated that 59.259% of items which assessed customer

satisfaction was included in the model. Having said that, Factor 1 explained 42.932%, Factor 2 explained 9.260%, and Factor 3 explained 7.068%, which totaled to 59.259%. The KMO, 0.897 indicated that the sampling was adequate and the data collected was suitable for Factor Analysis. In addition, Bartlett's Test of Sphericity, 0.000 exhibited that the responses collected were valid and suitable for the problem to be addressed also, indicated Factor Analysis was appropriate.

Table 6 Rotated Component Matrix of Customers' Satisfaction

Factors	Component Matrix	1	2	3
Customer Satisfaction - General	My overall entire experience with Islamic Banks is satisfactory.		0.468	
	The Islamic Banks exceed my expectations on offering quality services.		0.753	
	I am satisfied with financial services advice.		0.691	
	I am satisfied with the level of compassion.		0.698	
	I am satisfied with the current service infrastructure.		0.752	
	I believe the products and services offered are based on Islamic Shariah.		0.517	
Customers' Loyalty	I will recommend Islamic Banks to other people who will seek advice.			0.757
	I DO NOT have intentions to switch to commercial banks			0.613
	I say positive things about Islamic Banks to other people.			0.761
	I intend to continue using Islamic Banks services.			0.719
	I prefer my Islamic Bank above others.			0.697
Customers' Trust	Overall the bank is trustworthy.	0.676		



	My Bank always fulfills their promises.	0.577		
	My Bank is professional in online banking.	0.576		
	I believe that deposits in Islamic Banks are safe.	0.763		
	I feel safe in my transactions with the bank.	0.793		

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization

From the above table, the loading of the sixteen factors can be observed which represented both the correlation between the variables and also how the variables weighed for each factor. The possible values of correlations should range between -1.0 to +1.0 (Ramlan & Adnan, 2016)[29]. These sixteen factors included the three dimensions used to measure customer satisfaction, namely, general customers' satisfaction, customers' trust, and customers' loyalty. The value of factor loading can be positive or

negative (-1 to +1). As indicated in the table, higher the loading of an item the more important the factor is for assessing customer satisfaction. All the factor loadings are positive on the table. All values of the factor loadings were greater than 0.50 this implied a reasonably high correlation between extracted factors and their individual items. Referring to the Table 5, Factor 1 having variance 42.932% represented the elements of the positive viewpoint of the customer's satisfaction with Islamic banking services and products.

Table 7 Total Variance Explained by the Intangible Determinants

Total Variance Explained									
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	8.806	46.348	46.348	8.806	46.348	46.348	4.847	25.510	25.510
2	1.330	7.002	53.350	1.330	7.002	53.350	3.448	18.147	43.657
3	1.261	6.639	59.989	1.261	6.639	59.989	3.103	16.333	59.989
Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy									0.935
Bartlett's Test of Sphericity									0.000

Table 7, the Total Variance Explained, labeled the Initial Eigenvalues, Extracted Components, and Rotated Components. It measured how strong the constructs were and how many items which assessed customer satisfaction is included in the model. According to the analysis, there are three components in the model with Eigenvalues more than 1, which was subsequently retained. This result demonstrated that the three components cumulatively explained 59.989%, and consequently, it could be stated that 59.989% of items of the intangible determinants were

included in the model. Having said that, Factor 1 explained 46.348%, Factor 2 explained 7.002%, and Factor 3 explained 6.639%, which summed to 59.989%. The KMO, 0.935 indicated that the sampling was adequate and the data collected was suitable for Factor Analysis. In addition, Bartlett's Test of Sphericity, 0.000 exhibited that the responses collected was valid and suitable to measure the intangible determinants and Factor Analysis was appropriate.

Table 8 Rotated Component Matrix of the Intangible Determinants

Factors	Component Matrix	1	2	3
Personnel Service Quality	Islamic Banks deliver error-free services.			0.732
	The bank provides its services at the time it promises to do so.			0.735
	In Islamic Banks, the promised services are actually available at all times.			0.755
	The bank maintains transaction record accurately.			0.577

Level of Commitment	The bank performs service right at the first time.	0.560		
	Employees of Islamic Banks don't exploit the customers.	0.672		
	Employees of Islamic Banks are honest to their customers.	0.689		
	Islamic Banks treats the customers fairly.	0.698		
	Employees of Islamic bank behave according to Islamic morals.	0.699		
	Islamic Banks does not go against customers' interest.	0.653		
	Islamic Banks provide all relevant information to their customers.	0.609		
	Individuals are given personal attention in Islamic Banks.	0.467		
	Employees of Islamic Banks work in the customers' best interest.	0.580		
	Islamic Banks are sympathetic to financial problems of their customers.	0.602		
	Islamic Banks helps the customers during a difficulty, such as transaction anomalies.	0.597		
Level of Compassion	Employees of Islamic Banks is courteous and well mannered.		0.720	
	Employees of Islamic Banks offer proactive advice.		0.765	
	Customer Services of the bank are excellent.		0.733	
	Employees of the Islamic Banks provide useful advice to customers during times of crisis, such as failure to pay monthly installments.		0.605	

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

Table 8, represented the loading of the nineteen items which were the three intangible determinants expected to have an impact on customer satisfaction. Both the correlation between the variables also how the variables weighed for each factor is indicated in the table. The possible values of correlations should range between -1.0 to +1.0. The independent variables included in the Factor Loading were personnel service quality (B2), level of commitment (B3), and level of compassion (B4), demonstrated by the IBs of Bangladesh. The value of factor loading can be positive or negative, (-1 to +1). As indicated in the table, higher the loading of an item the more important the factor is for intangible determinants. All the factor loadings are positive on the table. All values of the factor loadings were greater than 0.50, except one item with a value of 0.467, this implied a reasonably high correlation between extracted factors and their individual items. Factor loading with a value of 0.4 and above are retained as they are a pure measure of the constructs (Salem, Sadiq & Abdulaziz, 2007)[32].

#### 4.4 Reliability Testing

Reliability test is the most commonly used measure to check the internal consistency of the items in an

instrument of a research. Cronbach's alpha is widely used and is regarded as a popular test that confirmed the reliability of each measure (Tavakol & Dennick, 2011)[39]. The Cronbach's alpha coefficient can range between 0 to 1.0. The closer the coefficient is to 1.0; the data is regarded to be more reliable (Tavakol & Dennick, 2011)[39]. Likewise, a higher coefficient indicated the greater internal consistency of the items used in the survey tool (Tavakol & Dennick, 2011)[39]. In this research, Cronbach alpha's coefficient was performed to assess the reliabilities of the measurement scales with an acceptable level of coefficient alpha should be greater than 0.7 for an item to be retained on a scale. The reliability test was conducted for all five constructs (Refer to table 9). The Cronbach's alpha ( $\alpha$ ) retrieved were 0.908, 0.877, 0.874, 0.864 & 0.826 for customer satisfaction using sixteen items, tangible products, personnel service quality, level of commitment and level of compassion, respectively. All the values of alpha were greater than 0.8, which indicated a high level of internal consistency used for the scale of different variables. The following Table 9 provided the summary of the Cronbach's Alpha value.

Table 9 Measurement of Cronbach's Alpha for Reliability Measurement

Variables	Cronbach's Alpha
Customer Satisfaction	0.908
Tangible Products	0.877
Personnel Service Quality	0.874
Level of Commitment	0.864
Level of Compassion	0.826

#### 4.5 Correlation Testing

The correlation test was performed to measure the strength and direction of the relationship between customer satisfaction and the four independent variables such as tangible products, personnel service quality, level of commitment and level of compassion. The correlation value can range from +1ve to -1ve (Ramlan & Adnan, 2016)[29]. Any value above or equal 0.8 indicated a strong relationship between the variables. Whereas 0.7 to

0.4 would indicate moderate relationship, and any value less than 0.4 would mean the relationship between variables are weak (Ramlan & Adnan, 2016)[29]. The signs of correlation demonstrated should be considered as it indicated if the value of the independent variable increased the value of the dependent variable would also increase likewise (Ramlan & Adnan, 2016)[29]. For the test to be significant, it is essential that the range of p-value is less than 0.01 (Ramlan & Adnan, 2016).

Table 10: Results of correlation test between customer satisfaction and independent variables

Dependent variable		Tangible Products	Personnel Service Quality	Level of Commitment	Level of Compassion
Customer satisfaction	Pearson Correlation	.641**	.755**	.642**	.617**
	Sig. (2-tailed)	.000	.000	.000	.000
	N	236	236	236	236

\*\*Correlation is significant at the 0.01 level of significance (2-tailed)

Comparatively strongest positive correlation ( $r=0.755$ ) was found between customer satisfaction and personnel service quality (Refer to table 10). It indicates that personnel service quality has a positive impact on customer satisfaction. Therefore, it means there is an improvement in personnel service quality that leads to increased customer satisfaction. The correlation coefficient of tangible products and level of commitment were 0.641 and 0.642, respectively (Refer to table 10). These values indicated a similar strength of positive correlation for tangible products and level of commitment

to customers' satisfaction, improved tangible products and a higher level of commitment would lead to an increased customer satisfaction. Hence, it can be concluded that tangible products and level of commitment are significant to the level of customer satisfaction. Comparatively lowest but a positive correlation was found between customer satisfaction and level of compassion, ( $r= 0.617$ ) (Refer to table 10). Therefore, it indicated that compared to other predictor variables level of compassion has the lowest positive impact on customer satisfaction.

Table 11: Correlation matrix of the Factors

Variables	Customer Satisfaction	Tangible Products	Personnel Service Quality	Level of Commitment	Level of Compassion
Customer Satisfaction	1	-	-	-	-
Tangible Products	0.641**	1	-	-	-
Personnel Service Quality	0.755*	0.702*	1	-	-
Level of Commitment	0.642*	0.538*	0.704*	1	-
Level of Compassion	0.617*	0.553*	0.708*	0.737*	1

\*Correlation is significant at the 0.05 level of significance (2-tailed)

\*\*Correlation is significant at the 0.01 level of significance (2-tailed)

Table 11 represented the inter factors of the correlation matrix. Correlation patterns of different possible

influencing factors with customer satisfaction have already been described. However, as demonstrated in the

correlation matrix, values of correlation coefficients between the level of compassion and level of commitment, ( $r=0.737$ ), followed by the level of compassion and personnel service quality, ( $r=0.708$ ), followed by the level of commitment and personnel service quality, ( $r=0.704$ ). It can be said that all the three intangible independent variables are moderately related to each other, and all others factors were internally positively correlated. Notwithstanding, there is no problem in terms of multicollinearity because all the values are below 0.8 (Kumar, 2014).

#### 4.6 Regression Testing

Regression Analysis is used to build a model for the relationship between dependent variables and one or more

independent variables (Ramlan & Adnan, 2016). For this study, Multiple Linear Regression has been chosen to estimate the relationship between a response variable and four independent variables. Multiple Linear Regression is an extension of Simple Linear Regression. It is used to predict the value of one dependent variable based on two or more explanatory variables (Kumar, 2014). In this study, considering customer satisfaction as a dependent variable and tangible products, personnel service quality, level of commitment and level of compassion as independent variables Multiple Linear Regression has been performed here.

Table 12 Summary of Multiple Regression Analysis

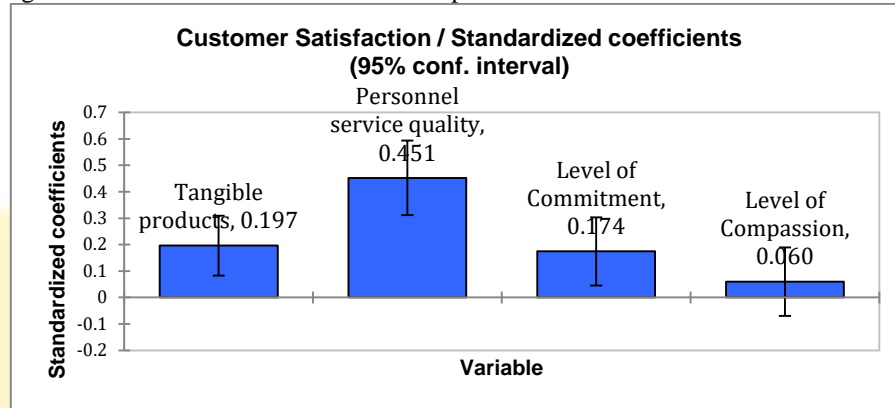
	Standardized Coefficients Beta	t	Sig.	Adjusted R <sup>2</sup>	F	P value
Constant( $\alpha$ )		6.972	.000	0.609	92.593	.000
Tangible Products	.197	3.425	.001			
Personnel Service Quality	.451	6.303	.000			
Level of Commitment	.174	2.659	.008			
Level of Compassion	.060	.916	.361			

R, the multiple correlation coefficients is the measure of the prediction of the dependent variable based on independent variables (Ramlan & Adnan, 2016). The value  $R=0.785$ , indicated that the level of prediction to assess customer satisfaction was good, (Refer to table 12). Adjusted R<sup>2</sup> value, (coefficient of the determination) 0.609 indicated that 60.9% of customer satisfaction could be explained by the four independent variables. F-statistic is used for testing if the null hypothesis should be rejected or supported. The F- statistic results combined with the p-value indicated that the overall results obtained in the analyses were significant (Ramlan & Adnan, 2016). However, it is to be noted that it does not indicate that all the four independent variables have a significant impact on customer satisfaction. The above table 12 shows explanatory variables are statistically significant i.e. the model is a good fit of the data  $F (=92.593, p \text{ value}=0.000)$ . The P values (Sig.) illustrated that except the level of compassion every independent variable is statistically highly significant i.e. all independents variables have a significant impact on customer satisfaction except the level of compassion. The standardized coefficients ( $\beta$ ) estimated how strongly the explanatory variables influenced the dependent variable (Ramlan & Adnan, 2016). According to the values of  $\beta$  and P, it can be said that personnel service quality has the

highest significant impact ( $\beta=0.451, P=0.000$ ) on customer satisfaction. Based on this analysis, the strength of association of tangible products comes at second ( $\beta=0.197, P=0.001$ ) followed by the level of commitment ( $\beta=0.147, P=0.008$ ). On the flip side, it can be said that level of compassion does not have any significant impact ( $\beta=0.060, P=0.361$ ) on customer satisfaction. From above results, we can address the four research objectives that are aimed in this study. As per the results of the regression tests H1, H2 and H3 with regards to tangible products, personnel service quality and level of commitment, respectively are supported and explains that customers' satisfaction has a significant relationship with these three independent variables. Therefore, RO1, RO2, and RO3 are answered, and it can be stated that tangible products, personnel service quality and level of commitment offered by the Islamic banks have a relationship with customers' satisfaction. On the other hand, RO4 is answered by the regression value, where H4 is not supported, and that there is no significant relationship between the level of compassion and customers' satisfaction.

However, the overall scenario of the standardized coefficient is given in the figure 2 at 95% confident interval.

Figure 2: Standardized Coefficient of Independent Variables on Customer Satisfaction



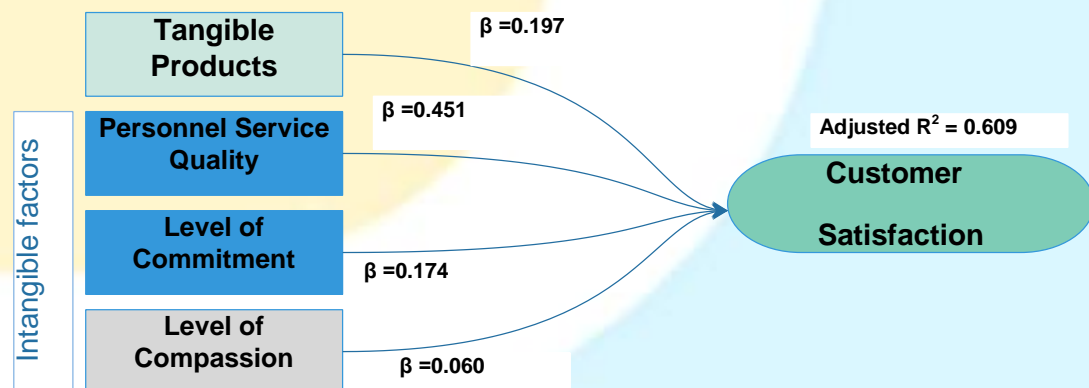
## 5. DISCUSSIONS & CONCLUSIONS

### 5.1 Summary of Research Results

This section is comprised of the discussions based on the results obtained.

The study's Validated Conceptual Framework is shown below, according to the Regression results.

Figure 3: Validated Model



This section has summarized the findings of the analyses of the impact of the tangible product, personal service quality, compassion level and commitment level on customer satisfaction based on the model that is a good fit of the data and a well-designed framework. Some studies on customer satisfaction research were previously conducted which was explanatory or descriptive in nature. In this study, the explanatory relationship was further analyzed, between the four independent variables and customer satisfaction, dependent variable. However, advanced research methods have allowed researchers to use better controls in the studies, using analyses like Factor Analysis, Correlation Analysis, and Multiple Regression Analysis etc. The findings of previous studies on customer satisfaction, allowed us to draw a more decisive conclusion about the relationship between customer satisfaction and other factors related to banking systems. Based on the normality test of the data collected, both Skewness & Kurtosis of all the variables were within the acceptable range of -2 to +2 (Refer to table 3). Thus,

only parametric tests were conducted in the study and we did not consider any non-parametric tests. A sizable portion of the clients (47%), of Islamic banks, fell in the age group of 31-40 years and following (23.7%) are the younger generation, aged between 21-30 years (Refer to table 1). One possible reason could be the establishment of Islamic banking systems in Bangladesh was comparatively not as old as the conventional counterpart. As mentioned previously, the first Islamic bank in Bangladesh commenced in 1983, "Islami Bank Bangladesh Limited." Some of the important points to be noted from the Descriptive Analysis are, 50.8% of respondents have accounts with only Islamic banking system and does not deal with any conventional banks and whereas, 49.2% reported that they held accounts in both Islamic and conventional banks (Refer to table 2). Moreover, the majority of the proportion, which accounted for 71.5% of the respondents, switched their banking from the conventional bank because they desired to deal with Shariah compliant bank (Refer to table 2).

In addition, almost 92.4%, of the customers stated that they would recommend other customers to switch in Islamic banks from the conventional banks (Refer to table 2). These findings clearly indicated that IBs operating in Bangladesh can attract more customers in the future, would experience speedy growth, and would remain sustainable in the long run. Based on the 236-response analysis, all the attributes had a mean score between 4.07 to 3.79 (Refer to table 4). Thereby, it could be said that majority of the respondents either strongly agreed or agreed on the attributes, and the attributes with a mean score lower than 4.0, could be due to the neutral feelings of some of the respondents. Finally, religious standards stay at the core of individuals' inclination towards Islamic banks. As per the descriptive results, a majority (71.5%), customer switched from conventional banking to Islamic banking due to Riba or interest factor followed by (21%) for Quality of services (Refer to table 2). This demonstrated that the IBs should remain very devoted to Islamic standards.

As per the results of Factor Analysis, customer satisfaction is expected to increase with improved personnel service quality, having all values above 0.5, such as error-free services, (0.732) and real-time service (0.735) but the most important factor is that promised services are actually available at all times (0.755) (Refer to table 8). Likewise, all the factors of the level of Commitment have a value higher than 0.4, but the most important factor was that employees of Islamic Banks behaved according to Islamic morals (0.699) (Refer to table 8). Another driver, compassion, has all the values above 0.5, and the most important factor is the proactive advice offered by the employees of Islamic bank (0.765) and that the customer services of the bank are excellent (0.733) (Refer to table 8). This study found that the employees of the banks behave according to Islamic morals, (0.699) (Refer to table 8). The higher level of commitment will lead to an increased number of the satisfied customer was also confirmed in a previous study conducted by Andaleeb et al., (2016). To sum it up, all the items that were included to measure the intangible determinants was retained, where the value was greater than 0.5, except one item retained a value of 0.4. However, it could be stated that 59.989% of items, which assessed customer satisfaction, was included in the model, whereas there was another 40.011% of other constructs that were not included in the model and Factor 1 alone explained 46.348% (Refer to table 7). All the Cronbach's alpha ( $\alpha$ ) indicated a high level of internal consistency used for the scale of different variables. Customer satisfaction using sixteen items, being measured from three dimensions, was 0.908 (Refer to table 9). Therefore, we can conclude that customers were satisfied with the IBs in Bangladesh. Additionally, the four independent variables also demonstrated a high level of internal consistency with Cronbach's alpha value 0.877, 0.874, 0.864, and 0.826 for tangible products, personnel service quality, level of commitment and level of

compassion, respectively (Refer to table 9). Thus all the forty-five items used in the scale was consequently retained and none deleted. In addition, Amin et al. (2013) provided evidence that consumer satisfaction drives client dedication dramatically. Customers' satisfaction and customers' loyalty indicated that customers would recommend other people to join the Islamic banking systems. As a result, the bank could assure its sustainability. They further articulated that organizations with the most noteworthy client certainty generated more incomes, as the customers' trust would lead them to remain loyal.

According to the results of Correlation, the strongest positive correlation ( $r=0.755$ ) was found between customer satisfaction and personnel service quality and an improved personnel service quality would increase customer satisfaction (Refer to table 10). However, customer satisfaction was mostly reliant on service quality that was established by prior researchers, such as Kashif et al., (2016) and Andaleeb et al., (2016). Likewise, the findings of this current research also demonstrated that an improved personnel service quality is expected to generate more satisfied customers. However, each item of service quality accounted for more than 0.57, which satisfied the condition of Kaiser (1958) hence, it can be concluded that the customers of Islamic bank are satisfied with their present service quality. The correlation coefficient of tangible products and level of commitment were 0.641 and 0.642, respectively (Refer to table 10). These values indicated that tangible products and level of commitment are significant to customer satisfaction and improved tangible products and a higher level of commitment would lead to an increased customer satisfaction. One of the research questions was intended to investigate the impact of tangible products and the analysis have verified that tangible determinants and consumer satisfaction were significantly related to each other. In this study, we found a moderately positive strong correlation, 64.1% (Refer to table 10) between them. Thereby, based on the findings it can be concluded that the clients' perception of the banks' tangible looks is an important factor when they choose their respective banks, and an upgraded tangible outlook could result in more satisfied customers, which in turn demonstrated that the administration quality has room for further improvement. Additionally, it underpinned that there was a positive relationship between customer satisfaction, perceived value, and customers' behavioral expectations from the Islamic banks. Commitment, a component of the intangible determinant, demonstrated by the Islamic Bank is recognized as an essential attribute for a successful long-term bond. This study also examined if there was any significant relationship between commitment and as per the findings it had a positive and significant impact on customer satisfaction. It is essentially the banks' behavioral approach towards the customer, which the clients found appealing and consequently they would adapt, to the Islamic banking

system. The present study found 64.2% (Refer to table 10) correlation between these two factors. On the other hand, lowest but positive correlation was found between customer satisfaction and level of compassion, ( $r= 0.617$ ) and thus compared to other explanatory variables level of compassion has the lowest positive impact on customer satisfaction (Refer to table 10). As per the Regression results, 60.9% of customer satisfaction could be explained by the four independent variables (Refer to table 12). The importance of customer satisfaction is positively associated with the tangible product ( $\beta=0.197$ ,  $P=0.001$ ), where the strongest contribution in explaining customer satisfaction was personnel service quality ( $\beta=0.451$ ,  $P=0.000$ ), followed by commitment level ( $\beta=0.147$ ,  $P=0.008$ ). However, why the level of compassion ( $\beta=0.060$ ,  $P=0.361$ ) failed in explaining customer satisfaction needs further investigation. Thereby, H1, H2 and H3, three of the hypotheses was supported exhibiting significant relationships between customers' satisfaction and tangible products, personnel service quality and the level of commitment, respectively. Subsequently, the research objectives of RO1, RO2, and RO3 have been answered accordingly in assessing customers' satisfaction (Figure 2). Whereas the hypothesis, H4 related to the level of compassion was rejected, whereby it can be stated that customers' satisfaction and the level of compassion do not have a significant relationship between them and the research objective, RO4 is answered correspondingly (Figure 2).

Previous literature suggested that personnel service quality and tangible products (Kashif et al., 2016)[20], level of commitment and compassion towards the customer (Andaleeb et al, 2016)[9] of the Islamic bank had a significant effect on customers' satisfaction. In this study, we found three of the factors as mentioned above had a substantial positive impact on customer satisfaction but as per the research results there existed a variance in the independent variable, level of compassion. However, satisfied customers with the current infrastructure do not necessarily assure the banks that their customers would not switch to other banks. Rather, it is the enhancement of the principles of the Islamic banking system that would lead the customers to trust the bank which in turn is expected to result in loyalty towards the bank. Thus, the Islamic banks should be more concerned with regards to the Shahriah (compliance) principles, so that it can sustain in the long run with the growth of increased loyal customers. Customers' intentions to deal with Islamic banks depend on the Shahriah principles held by the bank and they would make observations on the underlying banks' framework. In contrast to all the findings of the three independent variables having a significant correlation with the dependent variable, the present study found an insignificant relationship between the level of compassion and customer satisfaction. However, Andaleeb et al., (2016)[9] portrayed that relationship has room for improvement if compassion was demonstrated while providing banking service that too specifically

related to the overall banking systems for corporate clients in Bangladesh. They further stated that compassion has the greatest impact on corporate clients' satisfaction. As found in the current study, the employees provide proactive advice, an item to measure the level of compassion, factor loading (0.765) (Refer to table 8). In addition, the value of Cronbach's alpha is 0.826 (Refer to table 9) and Correlation is 61.7% (Refer to table 10) demonstrating that compassion has a positive but moderate relationship with customer satisfaction. However, on the other hand, based on the results of multiple linear regression, there was no significant relationship between the level of compassion and customer satisfaction, ( $\beta=0.060$ ,  $P=0.361$ ) (Refer to table 12). So we can conclude that Islamic banking systems should enrich their policy and procedure where a higher level of compassion should be displayed to all the account holders and not just the corporate clients.

## **5.2 Limitations & Recommendations for Future Research**

The present study is expected to evaluate the effect of the tangible and intangible determinants exhibited by the Islamic banks on customers' satisfaction from the context of Bangladesh. However, there were a few constraints in the process while conducting the research. Thereby, some suggestions are also made for the future researchers pertaining to the same area. The proposed model does not incorporate all possible attributes or constructs that might have influenced customers' decision-making while choosing a service and consequently had an impact on their level of satisfaction. In addition, a larger sample size could have further ensured that the validity of the constructs used in the survey tool is reliable and thereby sufficient to draw the conclusion on the results of analyses. All the respondents were Muslims, with the exception of one respondent who participated in the structured quantitative survey. However, it would be better if more opinions could be captured from the other religions. Most of the respondents, 67%, were private service holder; the study has room for further improvements if FGD and IDI are conducted to capture more insights from the senior management team. All the respondents were from one city, Dhaka, more comprehended analyses of the findings would be possible if the survey would include participants from other major cities. It was not possible to collect data from the many branches of IBs operating in Dhaka, rather a majority of the respondents was account holders in nine branches of IBs. It should be also noted that the participants were less willing to help in data collection process because they were busy in carrying out their daily tasks, or hesitant to disclose their opinions. The respondents of the survey included only Bangladesh nationals, 100%. However, if the sampling population includes account holders from other nationalities having accounts with IBs in Bangladesh a more comprehensive paper could have been conducted.

The future researchers should examine customer satisfaction towards IBs from the perspective of other important determinants that might have an impact on the level of satisfaction. Additionally, they should include constructs that are relevant to the new products launched by the IBs in Bangladesh. The future study could possibly include a sampling population that was more diverse in terms of religions and nationalities. Possible attempts should be made so that the sampling population is not solely based on Dhaka, rather they should incorporate respondents from other major cities in Bangladesh. On the flip side, it is recommended to have semi-structured survey tools, so that the customers could give possible suggestions on what they perceive is lacking in the current infrastructure of IBs in Bangladesh. In addition, focused group discussions could be held with experts dealing with the system, which in turn would enable to identify the policies and regulations that should be adapted, restructured or eliminated in order to have an improved Islamic banking system. The study included four independent variables, and based on the statistical analyses results, it can be inferred that three of the independent variables has strong to moderate impact on customer satisfaction. This demonstrated that the attributes included in the survey tool were a relevant measure of constructs to assess the dependent variable, customer satisfaction. Therefore, the validity of the items included in the survey tool turned out to be reliable. Having said that, Bangladesh both being a Muslim majority country and much densely populated the IBs have much potential for growth and can generate an increased income, consequently contributing to an improved overall financial system. As such, this study is expected to contribute in providing insight into the customers' perceptions that they hold of their respective IB. The IBs can improve on the areas they relatively lack for an increased customer satisfaction. It is suggested for the IBs to train the frontline personnel who would better understand the clients' needs, as personnel service quality was the most important intangible determinant. Additionally, the study is expected to contribute to the IB regulators and policymakers who formulated the Shariah compliance framework. Based on the analyses, it clearly demonstrates that the satisfaction of the customers had a very substantial relationship with what they perceive as the Halal banking system. As such, to strengthen the system and consequently reach desired outcome regulators should emphasis on the underlying frameworks to introduce more attractive products that are dedicatedly in line with Islamic standards.

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**Appendix: Survey Questionnaire**

Survey for assessing satisfaction among Islamic Bank Customers' in Bangladesh. This questionnaire comprises of three separate sections. Please note that the views expressed in the completed questionnaire will be treated in the strictest confidence. Any information identifying the respondents will not be disclosed.

The objective of this research questionnaire is to collect information pertaining to Customer Satisfaction in Islamic Banking from the perspective of Bangladesh. We'd appreciate your kind participation in research thesis. The target respondents for this research study are the people who are banking with the Islamic Banks in Bangladesh.

<p>Are you an account holder of any of the Islamic Banks in Bangladesh?</p>	<p>Yes* (If Yes, please proceed to Section 1)</p> <p>No* (If No, please return the <i>questionnaire</i>)</p>
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If you are interested to have feedback of this study, you may provide contact details/email address.

Regards,  
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Suhaily Binti Shahimi (suhaily@um.edu.my)

**Survey Questionnaire**

Section 1: Please provide some background information about yourself by ticking the most appropriate answer in each of the following questions.

1. Gender
 

Male	Female
------	--------
2. Nationality
 

Bangladesh	Others
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3. Age
 

Less than 20 years
21-30
31-40
41-50
51-60

- Above 60 Years.
4. Religion
- Islam
  - Buddhism
  - Christianity
  - Hinduism
  - Others
5. Occupation
- Self-employed
  - Private employee
  - Public employee
  - Homemaker
  - Student
  - Retired
  - Other
6. Educational Level
- Below Secondary
  - Secondary
  - Diploma/ certificate
  - Bachelor Degree
  - Master Degree
  - Doctor/ PhD
7. Monthly Income Range
- No income
  - Less than BDT 20000
  - BDT 20001 – 40000
  - BDT 40001 – 60000
  - BDT 60001 – 80000
  - BDT 80001- 100000
  - More than BDT- 100000
8. Bank in which the account is held
- Only Islamic Banks.
  - Both Islamic and Conventional Banks.
9. Number of years dealing with an Islamic Banks
- Less than one Year
  - 1– 3 Years
  - 4– 6 Years
  - More than 6 Years
1. Frequency of visit
- Weekly
  - Monthly
  - Occasionally.
2. Have you switched to an Islamic Bank from a conventional Bank?
- Yes
  - No
12. If you have ticked yes, then what was the main reason to switch?
- Riba or interest factor
  - Quality of service.
  - Convenience with the branch.
13. Would you recommend anyone switch to an Islamic Bank?
- Yes
  - No

Section 2: The following statements refer to possible attributes about your satisfaction levels while using Islamic bank's products and services.

Please indicate the strength of your agreement with each statement by circling one number on the scale from 1 where you strongly disagree to 5 where you strongly agree with the statement. If your feelings are less strong, please circle one of the numbers in the middle. Please select only one response per statement:

1	2	3	4	5
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Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree					
<b>A 1</b>	<b>Customer Satisfaction (General)</b>												
1.	My overall entire experience with Islamic Banks is satisfactory.					1	2	3	4	5			
2.	The Islamic Banks exceed my expectations on offering quality services.					1	2	3	4	5			
3.	I am satisfied with financial services advice.					1	2	3	4	5			
4.	I am satisfied with the level of compassion.					1	2	3	4	5			
5.	I am satisfied with the current service infrastructure.					1	2	3	4	5			
<b>A 2</b>	<b>Customers' Loyalty</b>												
6.	I will recommend Islamic Banks to other people who will seek advice.					1	2	3	4	5			
7.	I DO NOT have intentions to switch to commercial banks					1	2	3	4	5			
8.	I say positive things about Islamic Banks to other people.					1	2	3	4	5			
9.	I intend to continue using Islamic Banks services.					1	2	3	4	5			
10.	I prefer my Islamic Bank above others.					1	2	3	4	5			
<b>A 3</b>	<b>Customers' Trust</b>												
11.	Overall the bank is trustworthy.					1	2	3	4	5			
12.	My Bank always fulfills their promises.					1	2	3	4	5			
13.	My Bank is professional in online banking.					1	2	3	4	5			
14.	I believe that deposits in Islamic Banks are safe.					1	2	3	4	5			
15.	I feel safe in my transactions with the bank.					1	2	3	4	5			
16.	I believe the products and services offered are based on Islamic Shariah.					1	2	3	4	5			

Section 3: The following statements refer to possible attributes that influence customer satisfaction in Islamic Banks in Bangladesh.

Please indicate the strength of your agreement with each statement by circling one number on the scale from 1 where you strongly disagree to 5 where you strongly agree with the statement. If your feelings are less strong, please circle one of the numbers in the middle.

Please select only one response per statement:

1		2		3		4		5				
Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree				
<b>B 1</b>	<b>Tangible Products</b>											
1.	The bank is located in a convenient place.					1	2	3	4	5		
2.	The physical layout of equipment and furniture is comfortable for customer interaction with bank's staff.					1	2	3	4	5		

3.	The bank has modern equipment.	1	2	3	4	5
4.	The bank has modern technology.	1	2	3	4	5
5.	The bank has a modern outlook.	1	2	3	4	5
6.	The communication material of Islamic Banks is easy to understand.	1	2	3	4	5
7.	Islamic Banks offer financially safe investment.	1	2	3	4	5
8.	Islamic Banks has a strong branch network.	1	2	3	4	5
9.	Islamic Banks have good ATM locations.	1	2	3	4	5
10.	Islamic Banks ATMs are operating effectively.	1	2	3	4	5
<b>B 2</b>	<b>Personnel Service Quality</b>					
11.	Islamic Banks deliver error- free services.	1	2	3	4	5
12.	The bank provides its services at the time it promises to do so.	1	2	3	4	5
13.	In Islamic Banks, the promised services are actually available at all times.	1	2	3	4	5
14.	The bank maintains transaction record accurately.	1	2	3	4	5
15.	Employees of Islamic Banks are courteous and well mannered.	1	2	3	4	5
16.	Employees of Islamic Banks offer proactive advice.	1	2	3	4	5
17.	Customer Services of the bank are excellent.	1	2	3	4	5
18.	The bank performs service right at the first time.	1	2	3	4	5
<b>B 3</b>	<b>Level of Commitment</b>					
19.	Employees of Islamic Banks don't exploit the customers.	1	2	3	4	5
20.	Employees of Islamic Banks are honest to their customers.	1	2	3	4	5
21.	Islamic Banks treats the customers fairly.	1	2	3	4	5
22.	Employees of Islamic bank behave according to Islamic morals.	1	2	3	4	5
23.	Islamic Banks does not go against customers' interest.	1	2	3	4	5
24.	Islamic Banks provide all relevant information to their customers.	1	2	3	4	5
<b>B 4</b>	<b>Level of Compassion</b>					
25.	Individuals are given personal attention in Islamic Banks.	1	2	3	4	5
26.	Employees of Islamic Banks work in the customers' best interest.	1	2	3	4	5
27.	Islamic Banks are sympathetic to financial problems of their customers.	1	2	3	4	5
28.	Islamic Banks helps the customers during a difficulty, such as transaction anomalies.	1	2	3	4	5
29.	Employees of the Islamic Banks provide useful advice to customers during times of crisis, such as failure to pay monthly installments	1	2	3	4	5