

Customer Satisfaction And Service Quality In Islamic Banking Of Balochistan With Special Reference To Quetta-Pakistan

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Abstract: The philosophy of Islamic banking system essentially focuses on the idea of sharing and utilizing resources at risk by the enterprises on equal sharing basis. The popularity of Islamic banking is growing day by day in Balochistan. Customer satisfaction is supreme for toward a product and service is on hike due to stiff competition in banking industry of Balochistan. A survey based approach utilizes to measure the customer satisfaction and service quality in Islamic banking of Balochistan with special reference to Quetta to collect the necessary data. There were 300 samples for data collection from the number of Islamic commercial banks in Balochistan mainly from Quetta. This research study enlightens policy variable incorporate in Islamic banking of the province by measuring number of variables such as: trustworthiness, responsiveness, Credibility, Security, tangibility in order to evaluate service quality for the satisfaction of customer. Islamic banks are bound to procure the best services it can by thrusting its resources. The research study indicates the vital areas of improvement of Islamic banking in Balochistan especially in Quetta, The results of study show that there is immense need of improvement regarding the service quality in order to satisfy the Islamic banks' customers in the province.

Keywords: Trustworthiness, Responsiveness, Credibility, Security, Tangibility.

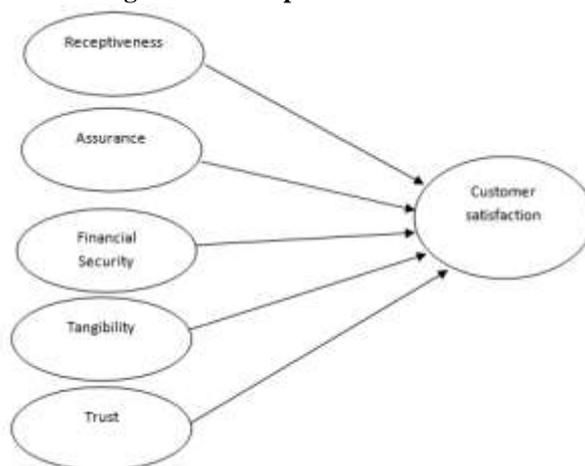
I. Introduction

Banks have been responsible for pooling the money since the time Jewish period of time who were largely undertaking the banking transaction in the open markets. However, from the early days of banking system, Islam did not appreciate it and even prohibited the core issue of banking i.e earning and paying the interest. Nevertheless, with passage of time, the conventional banking industry prevailed in all over the Islamic world. It is because of the dominance of the western world on the world economy. Eventually, it gave the surge to Islamic banking concept to the world predominantly in the Islamic world (Ahmed *et al.*, 2010). Therefore, the main responsibility of Islamic banking system is to opt the injunction of Islam and its *Sariah*. It is imperative for Islamic banking system to focus on the satisfaction of prospective customers as well as to retain the existing customer. There are number of factors which can bring the level of satisfaction to its customers in the banking industry. In this regard, trustworthiness, credibility, receptiveness, financial security, tangibility, are the few aspects which may craft the customer satisfaction. As a matter of fact, trustworthiness is the key variable which is the power of bank to get its objective in timely manner and according to the expectation of its customers. An Islamic banking system can achieve the credibility through the confidence of its client on its service and product which based on honesty. Business thrives by behaving the client with politeness and dignity; the receptiveness in the Islamic banking system is important. In terms of money deposits, a client feels secure as his deposits are free from risk and uncertainty, he will get the financial security. Financial security is also created by privacy maintains by the bank. Tangibility is another aspect of customer satisfaction in the Islamic banking. It is considered the physical side of banking function which include the equipment, personnel, physical conveniences like buildings and location beautification and other noticeable services included by the bank. The outcome of all services provided by the banking system renders the customer satisfaction: which is obtained through the procurement of services and products. The above dimensions has been integrated into a framework.

In the year of 1970, Islamic banking was first introduced in Malaysia by the promulgating the injunction of Islam. The base of the banking industry was on SHARIAH (Henry and Wilson, 2004; Iqbal and Mirakhor, 2007) in order to thrive the businesses according to true spirit of Islamic laws. Nowadays the growth of Islamic banking is 20% (Iqbal and Mirakhor, 2007) based on equal profit sharing. Islamic banks also includes its customer in the losses or risk factors which is imperative in Islamic injunctions. Initiation of *Modaraba* ('**Modaraba**' is a kind of partnership, wherein one party provides finance to other party for the purpose of carrying on business. The party that provides the finance is called the "rabb-ul-maal") and *musharka* (partnership) gives the Islamic banking system a true meaning and philosophy of Islam (Naser *et al.*, 1999). There was no significant progress towards the Islamic banking in Pakistan during the spell time of 1950 to 1970, however, after a long passage of independence of country the first Islamic bank was established in 1998 which

faced the stiff competition for the conventional banking. However, the Islamic banking sector was potentially grown enough in Pakistan (Khan and Cowling, 1996). Islamic banking has the indigenous ground for growth and prosperity in Pakistan. By procuring the right and tangible services of Islamic banking system in Pakistan, the province can be progressive and prosperous. People living in Balochistan have their own living style. They are more religious rather than liberal. This has provided a great opportunity for Islamic banking as majority of population in Balochistan is Muslim. However, they want better services than the conventional banking of the province. As a matter of fact, majority of conventional commercial banks do not provide appropriate service to their client in Balochistan. This also has established a trend towards Islamic banking on the condition of better services and customer services. The aim of this research paper is to measure the quality of services provided by Islamic banking in Balochistan with special reference to Quetta which is the hub of all economic activities for the province. This paper tries to augment the satisfaction level of the customer of Islamic banking in the province, which is flourishing in the province. Bringing the supreme quality of performance for the customer is the dream of every organization. It helps out the organization to stand tall in the competitors (Haque *et al.*, 2009). This is evident that last decade have witness the growth and prosperity of Islamic banking in Balochistan (Zine, 2015). Initialization of Islamic mode of business supported by Islamic banking sector has risen the big business opportunities in many sector. However, banking sector has to perform more than average as to consolidate its presence to grab the larger share in Balochistan economy. Islamic financial institutions are conducting their business based on the principles and teachings of Islam known as Islamic law (Sariah) which emphasis on customer satisfaction. Islamic banking transactions are carried out in accordance with the rules and regulations of Islamic Sariah, known as *Fiqah Muamalat* center around the customer satisfaction (Islamic rules on transactions). There is no place for interest receipts and payments in Islamic financial system as it focusses on customer reliability and better services in order to flourish the business. It endorses the level of fairness and equity in the carrying out of banking business. The philosophy of Islamic banking is mainly focused on the idea of sharing and utilizing the resources at risk by the enterprises on equal sharing basis in which more emphasis on providing the best and transparent services. The Islamic banking system is a complete set of financial framework based on discipline of customer banker relationship (Muneeza, 2011). It makes clearer and broader view of what is the responsiveness requirements based on Sariah from the banker to its customers. At the time of beginning of Islamic banks they faced stiff challenges like gaining confidence of the customers who are fully indulged in conventional banking (Zeithaml, 2000). As the Islamic banking is getting the momentum in the province, it is due to the low performance of the conventional banking. The result support the hypotheses framed in the study. Generally, Islamic banking sector is trying to change view of customers by providing the better performance as to more focus on customer-banker better relationship in order to gain customer satisfaction (Habib, 2006). Maturity of customers can make them aware and prompt to their right and responsibilities banker has, simultaneously, commercial bank management have thrust the pressure on its employees for better services. Hence, banks are better aware about the satisfaction of their customers regarding services and products being offered (Manzoor and Sattar, 2010). However, it is not sufficient for Islamic banking system to self-content with services and environment it is creating for the customers in Balochistan. They have to exert towards total quality management approach to maintain the pace they have got from the province of Balochistan. The main aim of conducting this research study is to measure the level of relationship between service quality and customer satisfaction of Islamic banks operating in Balochistan with special reference to Quetta. There are number of Islamic commercial banks' branches working in Quetta and few small town of Balochistan. There are several Islamic banks who are engaged with providing services in Balochistan, they include Meezan Bank Limited, Bank Al-Baraka, Bank Islami Pakistan, Burj Bank Limited, Dubai Islamic Bank Pakistan Limited, UBL and Alfalah Islamic Banks. Additionally, there are few conventional commercial banks who are partially providing the banking service all over the Balochistan. Islamic commercial banks are working in private sector (Awan, 2011). They are providing various services to their customers, such as; Consumer Banking, Trade & Finance Products, Retail Banking, Investment Banking, Corporate Banking, SME Banking and Global Marketing and Advisory are few services areas apart from general banking services. However, there are fewer services available in Quetta. These services are trade and retail banking, corporate banking and general banking services.

Figure 1: Conceptual Framework:



II. Literature Review

Commutative satisfaction is overall evaluations of customers regarding experience of consumption to date (Nitinet *et al.*, 2004). A commercial bank can provide quality services when its staff excellence (Leeds, 1992). Customer retention can be taken place with the team of experts and professional. Every business organization wants more and more profit with the better quality products and services (Bolton and Drew, 1991). Several enterprises are working to investment in Islamic banking as Muslims and Non-Muslim have shown the interest in this regard (Iqbal and Molyneux, 2005). Researchers have found the strong correlation of Customer satisfaction and financial performance (Bolton, 1998; Zairaniet *et al.*, 2008), investment returns is quite heavy and lucrative (Festus and Maxwell, 2008; Parasuraman *et al.*, 2000). Shareholders health can be enhanced by satisfying the customers (Naemet *et al.*, 2011). It is reported that the quality of service is a key factor of customer satisfaction (Yavas and Shenwell, 1997). It is the key factor because good quality of services increases the customers' Satisfaction level. As the awareness level of the customer of Islamic banks is elevated to its culmination, the relationship between the Quality of the services and satisfaction of the customer has become crucial (Chruana, 2002). When customers are aware from the system then the banking activities and banking system tend to more valuable for the people because they feel satisfaction from the service quality (Hareem and Nadia, 2012).

Table 1: Province Wise Additional Branches (Sep-Dec 2014) of Islamic banking

Province	Additional Number	Total Number	Share (percent)
Punjab	94	728	46.3
Sindh	33	509	32.3
Khyber Pakhtoonkhawa	13	165	10.5
Baluchistan	3	62	3.9
Gilgit Baltistan	-	5	0.3
FATA	-	4	0.3
Federal Capital	7	85	5.4
AJK	1	16	1.0
Total	151	1,574	100.0

Source: Quarterly report of state bank of Pakistan,

III. Hypothesis

- H₁: Service quality is positively related to customer satisfaction.
- H₂: More the trust of customer on banking services, the more the customer satisfied.
- H₃: More the positive response of the banking staff, the more the customer satisfied.
- H₄: Procurement of financial security is positively related to customer satisfaction.
- H₅: Bank's environment and atmosphere positively related to customer satisfaction.

IV. Research Methodology

After extensive literature review of pertaining to the problem concerned a self-administered survey was design to evaluate the relationship between service quality and customer satisfaction with reference to the Islamic banking in Balochistan. The main objective of conducting this research study is to measure the level of relationship between service quality and customer satisfaction of Islamic banks operating in Pakistan.

V. Measures

Primary data were collected from questionnaire with the sample size of 400 respondents; it deemed to be good according to many researchers and expert. Required data have been taken from all branches of Islamic banks working in Quetta. These are; Meezan Bank Limited, Bank Islami Pakistan, Bank Al-Baraka, Burj Bank Limited, Dubai Islamic Bank Pakistan Limited, UBL and Alfalah Islamic Banks. Pilot study was conducted to ensure the accuracy and reliability of the questionnaire. Necessary adjustments were made in the light of pilot study. The alpha coefficient for these items suggesting that the items have relatively acceptable internal consistency. There were two major parts of the questionnaire. First part fixated on gathering demographic information of respondents that includes demographic variables e.g., gender, age group and academic qualification. The sample consisted of adult males and females having good education. Second, part was measuring the level of customers' satisfaction of Islamic banks. All items in this part were measured on five point like Likert scale (Agree, somehow agree, neutral, disagree, somehow disagree).

Table 2: Pearson correlation Matrix shows the descriptive statistics

	Mean	SD	Correlations						B
			1	2	3	4	5	6	
1. Trustworthiness	4.21	.68	1						.876
2. Receptiveness	4.11	.73	.341	1					.936
3. Tangibility	3.74	.66	.825	-.20	1				.880
4. Assurance	3.88	.60	.806	.708	.966	1			.945
5. Financial security	3.91	.41	.901	.785	.856	.900	1		.883
6. Customer satisfaction	3.85	.35	.854	.878	.891	.841	.849	1	.873

*. All items are Correlated significantly at the 0.05 level (2-tailed).

b)=Cronbach Alpha (Cronbach, 1951).

VI. Results And Discussion

Internal reliability of the data was significant as (>.50) tested on the measure dimensions in the study. Cronbach's alpha (1951) values for all scales surpassed the smallest verge level of .80 thus representing the reliability of Likert scale which was utilized to measure the study (Table 3). The research examined the relationship among the construct i-e trustworthiness, receptiveness, assurance, and financial security and Customer satisfaction in order to measure the relationship with customers who inhabit in Balochistan. Study discovers that substantially large number of customers are satisfied with the service quality of Islamic bank. However, the security issues are the matter of concern for the banking system. In this regard, Islamic banks compulsorily do more effort to build the confidence level of their existing and prospective customers. Only fewer customers are dissatisfied with the services of Investment banking performance. Hence, it is not significantly paramount for a developing industry. Multiple regression was calculated to predict whether the hypotheses are supported by the study or not. It is observed that trustworthiness ($\beta = .60$), has a significant and positive relationship with the customer satisfaction at 0.05 level. Credibility ($\beta = -.15$), and receptiveness factor ($\beta = -.12$), have significant effect on satisfaction. All variable are significant predictors at (.000) (or related significantly) of overall satisfaction. The standardized beta tells the strength and direction of the relationships between customer satisfaction and assurance. In the same way trustworthiness and financial security are positively related to overall customer satisfaction. More the financial security correspond to customer satisfaction of Islamic banking in Balochistan more will be prosperity and growth. The positive coefficient (correlation) for customer satisfaction with other corresponding independent variables indicate that high value effectiveness of the study. The $R^2 = .604$, R^2 change = .06 is the proportion of variation in the dependent variable (customer satisfaction) that is explained by the independent variables.

VII. Conclusion

Service quality is directly proportioned to customer satisfaction in banking industry of Balochistan. However, in case of Islamic banking customers expect more improved services than the conventional banking in this province. Customer satisfaction is a multi-facet standards comprehend by the Islamic commercial banks in Balochistan especially in Balochistan. Number of aspects regarding customer services were measured through the self-administered questionnaire. These aspects were trustworthiness, credibility, receptiveness, financial

security, and tangibility. The study reveals that customers are more satisfied when these services are prevalent in the bank setting. Since, most of the customers are with religious mind set, hence, their expectations are higher and they are more faithful to the success of the bank progress and growth. This is an edge which Islamic banks have over the conventional banking system. It also attracts to those regular customer of conventional banks who have invested a potential investments and savings. This study indicates the average level of satisfaction of Islamic banking towards their customer who want more improvement and satisfaction. Islamic banks, therefore, have to do a lot to satisfy their existing customers and furthermore to gain the confidence of prospecting customers. It seems that the staff of Islamic banks are less trained as compare to national banking industry, hence, more funding should be invested. Islamic banking industry in Balochistan has making significance progress by increase its size, however, improvement in services through training and development is paramount for sustainable growth and development.

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