

Service Quality and Customer Satisfaction in Jordanian Islamic Banks

جودة الخدمة ورضا الزبون في البنوك الإسلامية الأردنية

Dr. TEBANI Abdelfateh

Setif 1 University, Algeria

abdeflateh.tebani@univ-setif.dz

Dr. YOUSFI Imane

Setif 1 University, Algeria

iyousfi@univ-setif.dz

Received: 06/09/2019

Accepted: 26/11/2019

Published: 31/12/2019

Abstract :

The main aim of this study is to investigate the impact of Islamic banks' service quality dimensions (tangibility, responsiveness, reliability, and empathy, assurance and sharia compliance) on the customer satisfaction in Jordan. An electronic questionnaire was developed and from a total of 100 questionnaires distributed on the Jordanian customers of Islamic banks 63 were returned.

The results of the multiple regression model indicated that the higher service quality is, the more customer satisfaction becomes. Moreover, the findings indicate that the dimensions of service quality that play an important role in this equation are tangibility, responsiveness and sharia compliance. These factors have positively affected the customer.

- **Keywords:** Service quality; Customer satisfaction; Islamic banks; multiple regression; Jordan
- **Jel Classification Codes :** G21, G2, M31

الملخص:

هدفت هذه الدراسة إلى تحديد تأثير أبعاد جودة خدمة البنوك الإسلامية (الملموسة، الاستجابة، التعاطف والأمان والامتثال لأحكام الشريعة الإسلامية) على رضا العملاء في الأردن. تم تطوير استبيان إلكتروني، ومن بين 100 استبيان تم توزيعه على العملاء الأردنيين للمصارف الإسلامية، تم استرجاع 63 استبيان.

أشارت نتائج نموذج الانحدار المتعدد إلى أنه كلما زادت جودة الخدمة، زاد رضا العملاء. علاوة على ذلك، تشير النتائج إلى أن أبعاد جودة الخدمة التي تلعب دوراً مهماً في هذه المعادلة هي الاستجابة والملموسة والامتثال للشريعة حيث أثرت هذه العوامل بشكل إيجابي على العميل.

- **الكلمات المفتاحية:** جودة الخدمة؛ رضا العملاء؛ البنوك الإسلامية الانحدار المتعدد الأردن.
- **تصنيف JEL:** G21, G2, M31

I. Introduction:

The Islamic banking and finance industry have experienced tremendous growth and progress at level of both assets and geographical expansion. As the former is concerned, a recent survey showed that the size of the Islamic banking and finance industry has exceeded 2 trillion USD spread on more than a thousand of financial institutions based in 40 countries (Chouder, 2015).

According to a recent report, there are 155 Islamic banks spread over the Arab countries as follows: 37 banks in the Sudan, which is the only country in the world that has a full Islamic banking system, 26 in Bahrain, 18 in Iraq, 8 in UAE, 6 in each of: Kuwait, Mauritania and Somalia, 5 in each of: Qatar and Lebanon, 4 in each of: KSA, Egypt, Jordan and Djibouti, 3 in in each of: Tunisia, Syria and Palestine, and 2 banks in each of: Oman, Morocco and Algeria.

The combined assets of the top 60 Arab Islamic banks stood at \$ 581 billion at the end of the second quarter of 2017, accounting for more than 95% of the total assets of Arab Islamic banks, and 18% of the total assets of the Arab banking sector. The total deposits of the top 60 Arab Islamic banks amounted to about \$ 420 billion and an equity of \$ 80 billion. The top 60 Arab Islamic banks granted loans to customers at about \$368 billion (about 20% of the total loans granted by the Arab banking sector to various economic sectors).

Jordan is one of the most established markets for Islamic banking and finance. According to the above report, Jordan comes in the fifth rank among the Arab countries in terms of the number of Islamic banks. As the founding of Islamic sukuk is concerned, Jordan was the first to issue the Muqarda Sukuk Law in 1980, which was replaced later by the issuance of the Islamic Finance Sukuk Law No. 30 of the year 2012.

Furthermore, during the 1980s Jordan was the only Arab country in which the value of bank assets exceeded GDP. Commercial bank assets have risen from JD1.1 million in 1980 to JD2.3 billion in 1985. Total deposits as well increased from about JD800 million to JD1.7 billion. Strict Central bank consumer credit controls and government success in encouraging savings was resulted in a growth of 7% per year from 1980 to 1987. The liquid money supply reached about JD900 million during this period, with no significant inflation. But during the mid-1980s, the government became cautious that the banking sector in the country was expanding rapidly. As a result, the Central bank of Jordan imposed a moratorium on the establishment of new commercial banks. In 1985 more than 27% of commercial bank credit financed trade, and less than 10% financed corporate investment (Assaf A & Tuama, 2012).

Islamic banks started operating in Jordan three decades ago. However, the Jordanian banking system is a non-Islamic one. Currently, there are four Islamic banks. These are Jordan Islamic Bank for Finance and Investment (JIBFI, established in 1978), Islamic international Arab Bank (IIAB, established in 1997) and Jordan Dubai Islamic Bank (JDIB, established in 2010) and Al-Rajhi Bank (Ajlouni, 2013)

In light of the above-mentioned facts, the leading question of this research will be:

In what way does service quality in the Islamic banking industry affect customer satisfaction?

I-1 Study objectives

The study has two categories of objectives that are general and specific. The general objective of the present study is to investigate the relationship between service quality and customer satisfaction in the Jordanian Islamic banks. The specific objectives are as follows:

- To explore and highlight the concept of service quality in the banking sector in Jordan.
- To Measure and assess the quality of service provided by the Islamic banks in Jordan;
- To find out which of the model's six dimensions has a positive effect and more weight on the customer perception about the quality of the service provided.

I-2 Study hypotheses

To reach the study objectives the following hypotheses have been developed:

H1: There is a positive effect of the tangibility on Jordanian Islamic banks' customers.

H2: There is a positive effect of the Responsiveness on Jordanian Islamic banks' customers.

H3: There is a positive effect of the Reliability on Jordanian Islamic banks' customers.

H4: There is a positive effect of the Assurance on Jordanian Islamic banks' customers.

H5: There is a positive effect of the Empathy on Jordanian Islamic banks' customers.

H6: There is a positive effect of the Shariah commitment on Jordanian Islamic banks' customers.

1-3 Literature review

Many studies have dealt with the concepts of service quality or customer satisfaction; yet very few research papers put both concepts in one study. To this end, and because enough studies tackled the theoretical aspects of our study, we will only refer to the studies that tried to combine between the two concepts like we did. These studies are as follows:

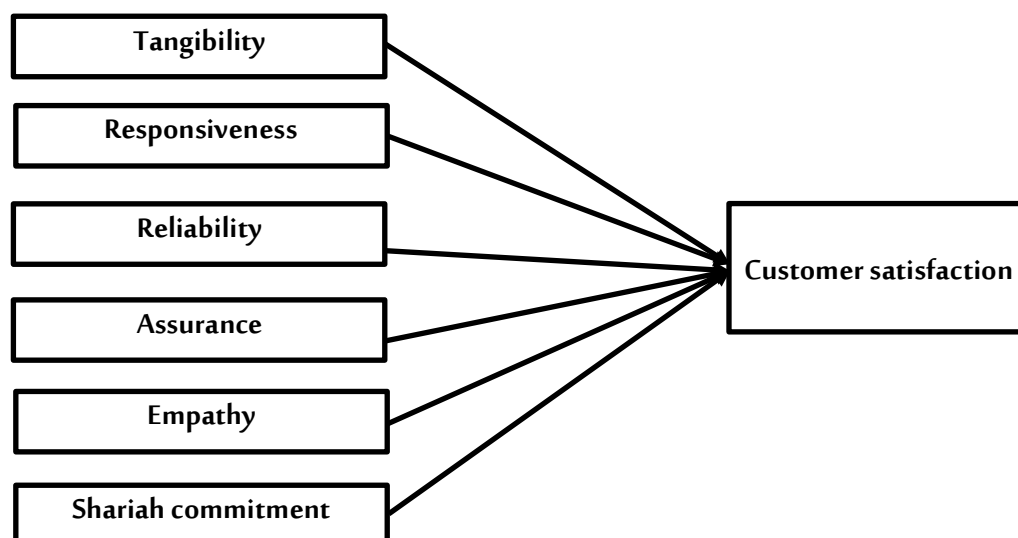
- (Shlash, 2011) , *Measuring the quality of Islamic banking services, Central Bank of Jordan, Amman*. This study attempted to measure the quality of services provided by Islamic banks in Jordan. The findings of the study indicated that the customers' evaluation of the quality of service was positive on three dimensions of the quality: tangibles, responsiveness, and empathy; and was negative regarding both reliability and assurance.
- (Mohammad & Alhamadani, 2011), *Service Quality Perspectives and Customer Satisfaction in Commercial Banks Working in Jordan*. The results of this study indicated that service quality was an important antecedent of customer satisfaction. It found out also that managers and decision makers in Jordanian commercial banks sought to improve the elements of service quality that make the most significant contributions on customer satisfaction.

- (Mualla, 2011), *Measuring Quality of Bank Services in Jordan: Gap analysis*. The findings of this study have indicated that the quality of service perceived by the customers of all commercial banks was low. Accordingly, this study recommended that commercial banks should have devoted considerable efforts toward the quality of their services. This study also emphasizes the importance of establishing a sustainable relationship with customers. Service quality is inherited in the minds of customers.
- (Assaf A & Tuama, 2012), *Islamic Banking in Jordan and Jordanian Customers, Attitudinal differences Study*. This research emphasizes attitudinal difference of Jordanian customers about Islamic banking services. Results showed that Jordanian consumers had positive attitude toward Islamic banking. Results of 't' test showed significant attitudinal differences between male and female customers. The study suggested that the findings should not be generalized for an entire population of Jordanian banking customers because the potential limitation of this study was the size and composition of the group which participated in the study.
- (Lau, Cheung, Lam, & Chu, 2013), *Measuring Service Quality in the Banking Industry: A Hong Kong Based Study*. The goal of this study was to identify the interrelationships between service quality, customer satisfaction and customer loyalty in the retail banking sector in Hong Kong. The study also aimed to find out the most important service quality determinants to evaluate banking service quality as perceived by customers. The results indicate that the five SERVQUAL dimensions had a positive influence on customer satisfaction. Tangibility, responsiveness, reliability and assurance were more significant in contributing to customer satisfaction, while empathy was the least significant.

I-4 The study model

The following model has been developed in order to investigate the nature of the impact of service quality dimensions and customer satisfaction in Jordanian Islamic banks:

Figure (1): The study model



Source: designed by the authors depending on: (Shlash, 2011), Service Quality Perspectives and Customer Satisfaction in Commercial Banks Working in Jordan, Middle Eastern Finance and Economics ISSN: 1450-2889 Issue 14, PP. 60-72

II. Operational definitions

In the following we present the operational definitions of the study variables:

II-1 Customer Satisfaction

It is the positive or negative impression that a customer feels towards a purchase or consumption experience. It is also a result of the comparison between his expectations of the service provided and his perceived performance.

II-2 Service quality

Service quality is defined as a measure of the extent in which the service level matches the client's expectations. Providing quality service means matching the client's expectations on a consistent basis, which is also a long-term customer evaluation of the service delivery process of a bank for example. Based on the client's point of view, the concept of service quality differs from one client to another, which makes it a measure. The quality of the service depends on the evaluation of the client who judges it by comparing what he has achieved with what he had expected from that service (Lahlouh R & Zineddin, 2016) .

II-3 Banking service

A group of processes with a beneficial content that is characterized by overcoming the intangible elements on concrete elements that are recognized by individuals or institutions by satisfying their current and future financial and credit needs, their costs and their utilitarian values, which are at the same time resource for the bank's profitability through a reciprocal relationship between the parties.

II-4 Service Quality Determinants

- **Tangibles:** Banks focus on the physical palpability to improve customers' mental image of their services, including the exterior of the building, the modern technologies offered to customers, to persuade them that its services exceed the level of other banks.
- **Reliability:** This is to show the customer that the bank is reliable by offering accurate service the first time without making any mistakes and delivers what it has promised on time (Mualla, 2011).
- **Responsiveness:** This means that the bank employees are willing to help customers and respond to their inquiries and inform them about the exact specifications of the service provided, and insure a prompt delivery process.
- **Assurance:** This means that employees' behavior will give customers confidence in the bank and that the firm makes customers feel safe, and that service provided is free of error, mistakes, danger or uncertainty. It also means that the employees are always courteous and have the necessary knowledge to respond to customers' inquiries (Archakova, 2013).
- **Empathy.** This means that the bank understands customers' problems and performs in their best interests. It also includes showing the spirit of friendship

and concern for the customer, and the desire to provide the service according to his needs.

- **Sharia' compliance:** this means that the services and products offered by the Islamic bank are fully compatible with the teachings and fundamentals of the Sharia'. Otherwise, the bank will lose the costumer's loyalty.

III. Empirical Analyses

In this section we present the data analyses results as follows:

III-1 Data and sample

An electronic questionnaire was developed and from a total of 100 questionnaires distributed on the Jordanian customers of Islamic banks, 63 were returned and deemed to be usable (completed), yielding a response rate of 63 percent. This response was considered large enough and sufficient for statistical reliability and generalization. This high response rate undoubtedly improved the validity and reliability of the survey. The questionnaire contains two sections the first one is concerned with the demographic variables (gender, age, occupation, nationality, and the educational level) while the second section is designed to test the impact of the independent variables (reliability, tangibility, responsiveness, empathy, security and sharia compliance) on the dependent one which is customer satisfaction.

III-2 Descriptive Statistics

From table 1 it can be seen that: the percentages of males and females in the study sample are (60.3%) and (39.7%) respectively this means that most of the sample are men, and most of the respondents belong to the age group of 31 to 41 Years (60.3%). In addition, the majority of them are bachelors, which means that they are educated and they will give accurate responses. Concerning the occupation, the respondents seem to practice different activities while most of them are employees in the public sector (25%), accountants (22.2%) and teachers (22.2%). Finally, most of the respondents are found to be Jordanian with a rate of 96.8 % and the rest are Palestinians.

Table 1 Descriptive Statistics of the Study Sample

Gender			
		Frequency	Percent
Valid	Mal	38	60,3
	Female	25	39,7
	Total	63	100,0
Age			
Valid	20-30	15	23,8
	31-40	38	60,3
	41-50	9	14,3
	More than 50	1	1,6
	Total	63	100,0
Educational level			
Valid	Bachelor	56	88,9

	Master	2	3,2
	PhD	5	7,9
	Total	63	100,0
Occupation			
Valid	Teacher	14	22,2
	Employee	16	25,4
	Doctor	3	4,8
	Accountant	14	22,2
	Manager	9	14,3
	Other	7	11,1
	Total	63	100,0
Nationality			
Valid	Jordanian	61	96,8
	Palestinian	2	3,2
	Total	63	100,0

Source: designed by the authors depending on the SPSS results

III- 3 Reliability

The current study used Cronbach Alfa which is a measure of internal consistency, that is, how closely related a set of items are as a group this measure is considered to be a measure of scale reliability. The higher the Cronbach Alfa is the more consistent the variables are, this factor should be more than 60 % to say that the used items are reliable or consistent. Accordingly, the data presented in table 2 show that the Cronbach Alfa for the items of each variable is above .70 % which means that we can use the regression model to test the study hypotheses.

Table 2 The Reliability Results

Variable	Cronbach's Alpha	N of Items
Tangibility	,838	6
Reliability	,779	5
Responsiveness	,875	7
Security	,785	5
Empathy	,783	6
Sharia compliance	,827	5
Satisfaction	,919	6

Source: designed by the authors depending on the SPSS findings

III-4 Multicollinearity test Results

Multicollinearity originally it meant the existence of a “perfect,” or exact, linear relationship among some or all explanatory variables of a regression model (Gujarati, 2004, p. 342) :

1. High R^2 but few significant t ratios.
2. High pair-wise correlations among regressors.
3. Tolerance (TOL) and variance inflation factor (VIF): the larger the value of VIF, the more “troublesome” or collinear the variable X_j . As a rule of thumb, if the VIF of a variable exceeds 10, or the tolerance less than 0.1, which will happen if, R^2 exceeds 0.90, that variable is said to be highly collinear.

Table (3) reveals that all the independent variables have VIF less than 10 and a TOL more than 0.1, which indicates that there is no multicollinearity problem and the independent variables are not highly correlated. So, the used models are good since a good regression models should not include any correlation between the independent variables.

Table 3 Multicollinearity test Results

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.	Collinearity Statistics	
	B	Std. Error	Beta	t		Tolerance	VIF
1 (Constant)	,138	,130		1,065	,292		
1 Tangibility	,143	,069	,168	2,082	,042	,369	2,710
Responsiveness	,378	,085	,473	4,436	,000	,212	4,718
Security	,137	,073	,151	1,878	,066	,372	2,690
Empathy	,028	,096	,030	,291	,772	,225	4,452
Sharia Compliance	,168	,070	,153	2,415	,019	,599	1,669
Reliability	,099	,095	,111	1,037	,304	,208	4,802

Source: designed by the authors depending on the SPSS findings

III-5 Data Analyses and Discussion

In this section, we will present the model fit, as well as the hypotheses testing.

III.5.1 Model Fit

The results in table 4 indicate that the six service quality dimensions explain about 87% from the variation in customer satisfaction.

Table 4 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,933 ^a	,870	,856	,18462

Source: designed by the authors depending on the SPSS findings

Moreover, table 5 shows that the value of the F-statistic is statistically significant at 1% level. The results of these tests confirmed that the multiple regression models are useful for measuring the relationship between service quality dimensions and customer satisfaction.

Table 5 ANOVA Results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12,321	6	2,054	60,245	,000 ^a
	Residual	1,841	54	,034		
	Total	14,162	60			

Source: designed by the authors depending on the SPSS findings

III.5.2 Results and Discussion

The multiple regression results stated in table 6 demonstrate that the first hypothesis H1: There is a positive effect of the tangibility on Jordanian Islamic banks' customers, is accepted since, the corresponding sig is less than 5%. H2: There is a positive effect of the Responsiveness on Jordanian Islamic banks' customers, is also accepted because sig is less than 5%. While the third hypothesis H3: There is a positive effect of the Reliability on Jordanian Islamic banks' customers is rejected and the sig value is more than 5% fourth hypothesis H4: There is a positive effect of the Security on Jordanian Islamic banks' customers and the fifth one H5: There is a positive effect of the Empathy on Jordanian Islamic banks' customers are also rejected. Finally, the last hypothesis H6: There is a positive effect of the Shariah compliance on Jordanian Islamic banks' customers is accepted and the sig value is less than 5%.

The findings which indicate that tangibility has a positive influence on customer satisfaction can be explained by in financial transactions, reliability of the service providers is a vital factor of service quality and customer significance of tangible variables in terms of physical facilities, equipment and staff performance. Customers can evaluate bank facilities, design, sufficiency, vision equipment, and the appearance of workers in the bank and Banking institutions need to develop strategies to strengthen this dimension of service quality.

Another important finding is that In Islamic banks, transaction is reliable if it compliance the basic principle of transparency, justice and free from interest. The responsiveness also shows a positive and significant impact on customer satisfactions since responsiveness is also a key success factor in the Islamic banking sector. The readiness of service providers to assist and provide quick services to clienteles is very significant to customer evaluation of banks. The results show that responsiveness has a positive influence on customer satisfaction this means that customers are satisfied with the personal services provided and service employees who understand their requirements.

Table 6 Results of Multiple Regression

Model		Unstandardized Coefficients		Standardized Coefficients		Sig
		B	Std. Error	Beta	t	
1	(Constant)	,138	,130		1,065	,292
	Tangibility	,143	,069	,168	2,082	,042
	Responsiveness	,378	,085	,473	4,436	,000

Assurance	,137	,073	,151	1,878	,066
Empathy	,028	,096	,030	,291	,772
Sharia Compliance	,168	,070	,153	2,415	,019
Reliability	,099	,095	,111	1,037	,304

Source: designed by the authors depending on the SPSS findings

IV. Conclusion

This study aims at determining the impact of service quality dimensions including reliability, tangibility, responsiveness, empathy, assurance and the sharia compliance in Islamic banks on the Jordanian customer satisfaction, the multiple regression results reveal that from the six dimensions of service quality three variables are found to have a significant impact on customers satisfaction these variables are tangibility, responsiveness and sharia compliance.

The result implies that these dimensions are most significant to the customers of the Islamic banks in Jordan. Finally, the study recommends that service quality is an appropriate tool to measure the quality of service in the Islamic banking industry. Therefore, the banking sector practitioners have to appreciate this instrument for the reason that it is a very important tool to evaluate, support, and improve the quality of their services.

References

1. Ajlouni, M. (2013). Performance Efficiency of The Jordanian Islamic Banks Using Data Envelopment Analysis And Financial Ratios Analysis. *Yarmouk University*.
2. Archakova, A. (2013). *Service Quality and Customer Satisfaction: Case Study: Company X*. Saimaa University of Applied Sciences.
3. Assaf A, A., & Tuama, H. (2012). Islamic Banking in Jordan and Jordanian Customers, Attitudinal differences Study. *European Journal of Economics, Finance and Administrative Sciences*, 155-172.
4. Chouder, H. (2015). The Islamic Finance Industry in Algeria: Between the International Experiences and The Local Juridical Obstacles. *Journal of the faculty of economics*, 15, 303-376.
5. Gujarati, D. N. (2004). *Basic Econometrics* (éd. 04th edition). McGraw-Hill Companies.
6. Lahlouh R, R., & Zineddin, R. (2016). *Effect of Banking Service Quality on Customer Satisfaction in The Commercial Banks in Nabuls*. Nabuls: Al-Nadjah University.

7. Lau, M. M., Cheung, R., Lam, A. Y., & Chu, Y. T. (2013). Measuring Service Quality in the Banking Industry: A Hong Kong Based Study. *Contemporary Management Research* , 9 (3).
8. Mohammad, A. A., & Alhamadani, S. Y. (2011). Service Quality Perspectives and Customer Satisfaction in Jordan. *Middle Eastern Finance and Economics* (14), 60-72.
9. Mualla, N. D. (2011). Measuring Quality of Bank Services in Jordan: Gap analysis. *International Journal of Business and Social Science* , 2 (1).
10. Shlash, M. (2011). Service Quality Perspectives and Customer Satisfaction in Commercial Banks Working in Jordan . *Middle Eastern Finance and Economics* (14), 60-72.