

Can Islamic Bank Satisfy Their Customer?

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Abstract: Not less than 85% of Indonesian population is Moslem, and in Indonesia the number of Islamic bank has been growing significantly since the first Islamic bank was founded in 1991. However, the market share of Islamic bank is relatively low. It was hypothesized that Islamic bank has not been able to provide their customer the optimum level of financial service or reach their customer satisfaction. In order to measure the customer satisfaction with Islamic bank, this study attempted to find factors which affect customer satisfaction, by using factor analysis method. Data was collected by distributing questionnaire to 180 respondents, who become the customer of saving program of Islamic bank and conventional bank. This study found 12 factors that affect customer satisfaction: responsiveness, assurance, reliability, supporting facilities, empathy, bank stability, product, social facilities, cost, convenience, accessibility, and brand. This study also rejected the hypothesis that Islamic bank is not able to satisfy their customer.

1 INTRODUCTION

Indonesian banking now is embracing dual bank system or dual banking system. By having dual bank system, banks in Indonesia can choose to run their operating system with conventional banking system or with Islamic banking system.

The development of Islamic banking system in Indonesia is within the framework of Indonesian Banking Architecture, in order to serve an alternative banking services to Indonesian people. The Islamic banking system and conventional banking system are expected to move synergistically to support the mobilization of public funds, and to improve financing capabilities for the national economic sectors.

By observing banking industry in Indonesia, we will find tight competition between banks year after year. One key to deal with the competition is by achieving customer satisfaction. Every bank in Indonesia has been very aware of the importance of consumer satisfaction. This is what causes the investment of large amounts of investment programs to increase consumer satisfaction is common in the banking industry.

Loyalty of a firm's customer has been recognised as the dominant factor in a business

organization's success (Kandampully and Dwi, 2000).

Customer satisfaction is an important issue for marketing managers, particularly those in services industries. However, it appears that achieving customer satisfaction is often the end goal (Bennett & Rundle, 2004). While, Levesque & McDougall (1996) points out that customer satisfaction and retention are critical for retail banks, and investigates the major determinants of customer satisfaction and future intentions in the retail bank sector.

Not less than 85% of Indonesian population is Moslem, and in Indonesia the number of Islamic bank has been growing significantly since the first Islamic bank was founded in 1991. However, the market share of Islamic bank is relatively low. It was hypothesized that Islamic bank has not been able to provide their customer the optimum level of financial service or reach their customer satisfaction.

2 LITERATURE REVIEW

Consumers not only expect service providers to be able to provide their service properly, but consumers expect more than that, they expect the service providers are able to meet their desire in terms of

consumer satisfaction. Satisfaction is the feeling of pleasure or disappointment of someone who emerged after comparing the provided performance of service to the expected (Schiffman & Kanuk, 2012, Kotler & Keller 2014).

Meanwhile, A Parasuraman, Zeitham and Berry (1985) proposed a conceptual model of consumer expectations for services. The model identified ten major determinants of consumer expectations. The ten determinants are : enduring service intensifiers, personal needs, transitory service intensifiers, perceived service alternatives, self-perceived services roles, situational factors, explicit service promises, implicit service, word of mouth, and past experiences,

To measure service performance A Parasuraman, Zeithaml and Berry (1985) introduced service quality dimensions. These dimensions need to be considered carefully by service provider, so that consumers get the performance of services in accordance with expectations. The service quality dimensions which often used in research are the five dimensions of service quality, which consists of: reliability, responsiveness, assurance, empathy and tangibles.

Reliability is the ability to perform the promised service dependably and accurately. Responsiveness is the willingness to help customers and provide prompt service. Assurance is knowledge and courtesy of employees and their ability to convey trust and confidence. Empathy is caring, individualized attention the firm provides its customers. While tangible is appearance of physical facilities, equipment, personnel, and communication materials.

While, Mittal & Lassar (1998) found that satisfaction is driven more by “technical quality” (the quality of the work performed) than by “functional quality” (how the service work was delivered); however, once satisfaction is achieved, loyalty is driven more by functional than by technical quality. This is the pattern of influence for a “low contact” (where customers’ direct contact with service providers is absent or marginal) service. For a “high contact” service, the pattern of influence is exactly the reverse. Of significant importance to service managers, the paper explains the dynamics of loyalty versus satisfaction and derives their managerial implications.

Ganguli & Roy (2011) proposed four generic service quality dimensions in the technology-based banking services – customer service, technology security and information quality, technology convenience, and technology usage easiness and reliability. It was found that customer service and technology usage easiness and reliability have positive and significant impact on customer satisfaction and customer loyalty. It was

also found that technology convenience and customer satisfaction have significant and positive impact on customer loyalty.

Service quality influences relative attitude and satisfaction, satisfaction influences relative attitude, repurchase, and recommendation but has no direct effect on store loyalty. Fostering favorable relative attitude and getting customers to recommend the product or service holds key to fostering store loyalty. Results also indicate support for Oliver’s four- stage cognitive-affective- conative- action model of loyalty (Sivadas & Baker- Prewitt, 2000).

Measuring customer satisfaction is very important, customer satisfaction indexes as a base for new strategic marketing management (Karolina Ilieska, 2013). Y.Hu (2011) found that relationships between perceived value, customer satisfaction, and purchase intention. While H Singh (2006) indicated that there is also a positive connection between customer satisfaction, loyalty and retention. Selnes, (1993) suggested that companies should monitor and improve both customers satisfaction and brand reputation.

In order to measure customer satisfaction Kotler & Keller (2014) identified four methods, including: complaints and feedback system, mystery shopping, lost customer analysis, and consumer satisfaction survey.

3 METHODS

This is an exploratory research method. Customer survey is the main method to collect primary data. Non-probability sampling was used to select respondent and respondent are customer of Islamic bank. To determine factors influencing customer satisfaction, confirmatory factor analysis is used, followed by measuring the customer satisfaction by calculating customer satisfactory index.

4 RESULTS AND DISCUSSION

To determine what factors influencing customer satisfaction of Islamic Banking, factor analysis is used to data that has been collected through survey. Factor analysis with the help of SPSS 17 followed the process of testing the adequacy of data onto Kaiser-Meyer-Olkin (KMO) value measurement and by the measure of sampling adequacy (MSA) for subsequent calculated Eigen value (loading factor). Based on Eigen values of the 51 indicators, 12 groups were obtained which has Eigen value of more than 1.00.

Table 1: Factor Influencing Customer Satisfaction.

F1 Respon- sive		F2 Service Reliability		F3 Service Assurance		F4 Tangible		F5 Empathy		F6 Bank Reputation		F7 Product Feature		F8 Convenien- ce		F9 Cost		F10 Religious Amenity		F11 Brand Image		F12 Access	
I	EV	I	EV	I	EV	I	EV	I	EV	I	EV	I	EV	I	EV	I	EV	I	EV	I	EV	I	EV
X16	0,776	X30	0,669	X7	0,652	X49	0,760	X36	0,717	X11	0,794	X24	0,654	X55	0,866	X43	0,777	X52	0,725	X52	0,822	X21	0,645
X17	0,775	X34	0,664	X5	0,645	X47	0,735	X37	0,709	X13	0,758	X42	0,577	X54	0,840	X44	0,693	X53	0,476	X53	0,645		
X18	0,630	X32	0,630	X6	0,607	X46	0,615	X40	0,547	X20	0,380	X23	0,573										
X19	0,523	X35	0,615	X4	0,605	X48	0,560	X38	0,486			X25	0,467										
X27	0,516	X33	0,607	X3	0,590	X28	0,453																
X9	0,447	X31	0,556	X2	0,534																		
X8	0,430	X39	0,465	X1	0,452																		
X22	0,418	X26	0,449																				
X10	0,407	X45	0,414																				
		X29	0,391																				

The 12 groups hereinafter referred to as 12 factors which influencing customer satisfaction of Islamic bank. Considering the content of each factor, the 12 factors are identified as: responsiveness, service reliability, service assurance, tangible, empathy, bank reputation, product feature, convenience, cost, religious amenity, brand image, access.

In an effort to find the factors that determine the consumer satisfaction of Islamic banks, the first factor is formed from the grouping of nine indicators. This factor can be labeled as Responsiveness. This factor assigns Islamic bank to manage the system and bank employees in order to provide convenience and speed in serving customers, such as skill, hospitality and speed of officers when delivering bank service.

Furthermore, there are ten indicators that form on the second factor, these 10 indicators of factor formed from elements of assurance and empathy of service quality. This second factor contains the customer's expectation of the security and accuracy of the transaction bank, the performance of the system of recording and the accuracy of the system and the bank officer in delivering service. Based on the indicators which formed of this factor, then this second factor is labeled as Service Reliability.

In order to effectively able to satisfy their customers, Islamic banks should pay attention to the third factor, namely Service Assurance. This factor requires the Islamic bank to have the ability to providing optimal operational services and according to the promise. For example, the clarity and easiness

of bank transaction procedures, the convenience of office hours, and the skills of bank's officers when serving customer.

Furthermore, the factors that determine customer satisfaction is Tangible factor. Tangible factor is physical evidence that strongly supports customer satisfaction. Islamic bank must pay attention to the availability and appearance of the office and ATM machines, tidiness of bank officers, even the availability of parking lots. Pantouvakis & Lympelopoulus (2008) confirm that the physical elements of the service are of greater importance in determining customer evaluations on overall satisfaction than interactive features of service.

As a service provider, Islamic bank is also highly expected to provide empathy to its customers. The willingness of bank employees to understand and hear needs, wants or problems is important. Islamic bank must guarantee the totality of bank employees to provide the best service during banking hour to all customers without discrimination.

The customer's perception of the bank's health also determines its satisfaction, Islamic bank is expected to be health and strength as a financial institution. The resilience of Islamic bank to economic crisis and bankruptcy is a requirement.

The seventh factor, considering the content of indicator clustered is appropriate to be labeled as Product Factor. This factor requires the Islamic bank to provide variation of saving and loan product in accordance with the needs and wants of customers.

As to this factor, the wide-ranging of bank service as a financial institution, such as inter-bank transfer and as payment point also become customer expectations

Customer satisfaction of Islamic bank, is also determined by the religious amenity, which concerns with the availability of good mosque and toilets. The existence of this factor becomes interesting, because as certain religion bank Islamic bank has a close perception with the activities of worship, therefore the availability of means of worship becomes important.

In particular, Islamic bank customers also emphasize their convenience when visiting the bank office. Customer requires a fine waiting room and clarity of banking information either that they can read through signage or explanation officer. This factor is called Convenience Factor.

Another intangible that also determines customer satisfaction of Islamic bank is relying on Image Bank. Customer expects that Islamic bank to be well-known, highly-reputable, and financially strong. Customer satisfaction has a significant relationship with image (Amin and Rodrigue, 2013). Selnes (1993) confirmed that brand reputation is the strongest driver of customer loyalty

For Islamic bank, another important factor which also determines customer satisfaction is Accessibility. Customer expects Islamic bank to guarantee access adequacy by the availability of branch-office, ATM, branchless bank service and reliable internet banking.

All bank to impose a certain cost of each service they provide. As cost is also determines customer satisfaction Islamic bank should set an acceptable explicit costs such as fee and interest and implicit costs such as compensation for bank errors in serving. Except customer service, Santouridis and Trivellas (2010) stated that pricing structure and billing system are the service quality dimensions that have the more significant positive influence on customer satisfaction.

After determining 12 factors that affect customer satisfaction, the customer satisfaction index of Islamic bank in Indonesia will be revealed.

Table 2: Customer Satisfaction Index.

Factor	Index	Satisfaction
Responsiveness	3,79	High
Service Reliability	3,74	High
Service assurance	3,73	High
Tangible	3,67	High
Empathy	3,66	High
Bank Reputation	3,63	High

Product Factor	3,47	Moderate
Convenience	3,79	High
Cost	3,51	Moderate
Religion Amenity	3,37	Low
Brand Image	3,93	High
Acces	3,50	Moderate

Islamic bank in Indonesia has managed to attain customer satisfaction with high level, customer not only get satisfied by the service reliability and assurance which is the core product, but also satisfied by the attribute product of Islamic bank, such as their empathy and their service-cape, except religion amenity. Islamic bank in Indonesia was believed to have reliable service by implementing 'syaria' banking operation

Customer is also impressed by Islamic bank reputation and image. As a financial institution, Islamic bank in Indonesia demonstrated satisfactory financial achievement. However, Islamic bank in Indonesia has not really successful in fulfilling customer need or wants to the variety of bank's product, bank expenses and digital access to bank services.

5 CONCLUSION

The determinants of customer satisfaction Islamic bank consist of twelve factors. The twelve factors are as follows: responsiveness, service reliability, service assurance, tangible, empathy, bank reputation, product feature, convenience, cost, religious amenity, brand image, and access. The level of customer satisfaction of Islamic bank in Indonesia is high. Customer highly satisfied by reliability, assurance, responsiveness and reputation of Islamic bank, however they moderately satisfied by product, expenses and digital access.

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