

# The Determinance of Customer Satisfaction in Islamic Banking and Finance in Sri Lanka: Special Reference to Amana Bank Plc in Kurunegala District

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## Abstract

*The research focuses to understand and create knowledge on factors and forces including service quality, product attributes, knowledgeable employee and bank image which influence on and its association with customer satisfaction in islamic banking and finance Industry. Researchers collect data for this research through personal interview, questionnaire and secondary data sources. The population of this study consist of 200 customers of Amana Bank in all the branches of Kurunegala district. A simple random sampling technique is used to select the respondent's survey for this study. The result shows that a positive relationship between the selected variables and customer satisfaction in Amana Bank PLC in Kurunegala District.*

**Keywords:** *Customer Satisfaction, Service Quality, Product Attributes, Knowledgeable Employee, Bank Image.*

## Introduction

Islamic Finance was introduced in 1997 with establishment of Amana Investment in Sri Lanka. Following amendments to the Banking Act No: 30 of 1988 in March 2005. There is adequate flexibility for conventional banks to establish Islamic Banking Windows and to launch Islamic financial products. This landmark legislation come up to in after years of intensive discussions and lobbying by Amana investments, the pioneer provider of Islamic services in the country, the regulate with Central Bank of Sri Lanka (Masahir and Hilmy, 2012). Customer satisfaction in the banking industry plays a vital role to create a healthy business status being service based industry. In any service based industry customer service is at highest priority. Customer service can be provided by well trained person in planned systematic manner or can be provided by means of well planned self-service. In banking industry customers are more directly linked with the banks' personnel for any kind of services or products. Therefore, Banks should always focus on training

its front desk staffs to provide quality service knowing their expectations and wants.

Customer satisfaction has been one of the main concerns of a bank. Satisfaction is as a judgment following a consumption experience - it is the consumer's judgment that a product provided (or is providing) a pleasurable level of consumption-related fulfillment (Oliver et al, 1997). Customer satisfaction can't be limited to short term strategy, it's a long term strategy of any firm. It has been increasingly popular due to its helpful attribute towards judgment of the customer preferences and choices. It simplifies the decision maker role and helps to take any major or minor decision to cater customer (Humphreys & Williams, 1996).

Customer satisfaction is the full meeting of one's expectation (Oliver, 1980) and can be described as the feeling or attitude of a customer towards a product or service after it has been used (Palmatier et al., 2006). In the traditional sense, satisfaction was considered to be transaction - specific

construct which resulted from immediate post purchase judgment or affective reaction (Oliver, 1993; Ganguli and Roy, 2011). Customer satisfaction is also considered from a cumulative satisfaction perspective and it is defined as customer's overall experience to date with a product or service provider (Johnson et al., 2001; Krepapa et al., 2003). Most of the customer satisfaction studies are now using this cumulative satisfaction concept (Gupta & Zeithaml, 2006).

### **Problem Statement**

To what extent the factors and forces influence on and its association with customer satisfaction of Amana Bank Plc in Kurunegala District?

### **Follow-up Questions**

- Does the product attributes influences on and associate with customer satisfaction?
- Does the service quality influences on and associate with customer satisfaction?
- Does the knowledgeable employee influences on and associate with customer satisfaction?
- Does the Bank's image influences on and associate with customer satisfaction?

The primary objective of this research is to understand and create knowledge on factors and forces which influence on and it's association with customer satisfaction on Islamic Banking and Finance Industry. The secondary objectives of this research are to:

- Describe the influence of product attributes on customer satisfaction and its association with it.
- Describe the influence of service quality on customer satisfaction and its association with it.
- Explain the influence of knowledgeable employee on customer satisfaction and its association with it.
- Explain the influence of Bank's image on customer satisfaction and its association with it.

### **Literature Review**

The modern islamic banking practices can be traced back from four decades ago. However, in fact many principles of Islamic banking system have been generally accepted all over the world for

centuries fairly than decades. Islamic banking and finance is fastest growing sector with variety in different segments and field. It provides to Muslims as well as they are minority ethnically. In addition, it is a broad standard: non-Muslim individuals and communities that look for ethical financial solutions have also been fascinated to Islamic banking. It is clear from banking practice that Islamic banking is evenly well liked in all communities.

According to business dictionary, product attributes are identified the characteristics of a raw material or finished goods which make it distinct from other products. Attributes include size, color, functionality, components and features that affect the product's appeal or acceptance in the market. The criteria that consumers commonly point out include good features, excellent function, high quality, technology resolution, reasonable price, well-known brand, durability, after sale service and user-friendliness. With global markets growing and rapidly emerging, the existing markets increasingly develop along the globalization processes and move towards a so-called global product standard. For market efficiency and effectiveness, where maximum opportunities exist to both sellers and buyers at minimum cost, information must be collected on the buying behavior of consumers as they may have different values and use diverse methods for product quality evaluation; this issue has recently attracted the attention of many researchers from various disciplines, and while the concept of product quality has become a well-liked topic among researchers and business practitioners in recent years, few researches have touched on the attribute dimensions of product quality that directly have an effect on customers' buying decisions .

Service quality has been derived from the field of marketing which values human interaction between a business and its customers. It focuses on the relationship between customer expectation of a service and their perception of the quality of provision. This relationship was introduced in 1982 by Gronroos and is known as the perceived service quality (Gronroos, 2008).

Service quality has been defined in service marketing literature as an overall assessment of service by the customer. Perceived service quality is believed to be resulting from comparison between customers' prior expectation about the

service and their perceptions after actual experience of service performance (Asubonteng et al., 1996; Parasuraman et al., 1985).

In discussing the need to identify knowledge necessary for the survival of an organization, it is necessary to define what knowledge is. (Blackler, 1993) suggests that there are a variety of definitions of knowledge varying from socially constructed, often tacit material, to knowledge acquired through participation within communities of practice. The Oxford Dictionary (2001) defined knowledge as a person's range of information or the sum of what is known. The individual's knowledge as well as the collective knowledge of the organization as a whole is relevant for the efficient and effective acquisition and utilization of knowledge of a company. In addition to that knowledge consist of people's skills, competencies, ideas, and intuitions along with the full utilization of information and data. However, (McInerney, 2002) explains knowledge as a free-moving entity that has an active social life that is always in a constant state of flux whereby knowledge flows between and across organizational boundaries. In its simplest version, knowledge can be seen as a continuum from individual-based to corporate-wide knowledge. An interesting thing to note is that knowledge is a non-consumable resource. It is possible to use knowledge without using it up which allows organizations to acquire, create, store and maintain, and export knowledge as a commodity.

Bank image is the current view of the customers about a product. The impressions consumers have of a company extend well beyond the product or service the firm provides. It is a mental image that reflects the way a brand is perceived, including all the identifying elements, the product or company personality, and the emotions and associations evoked in the consumer's mind. It can be defined as a unique bundle of associations within the minds of target customers.

Keller & Lehmann 2006 defines Bank image as perceptions about a brand as reflected by the brand associations held in consumer memory. It is a set of beliefs held about a specific brand. In short, it is nothing but the consumers' perception about the product. It is the manner in which a specific brand is positioned in the market. Bank image conveys emotional value and not just a mental image. Bank

image is a composite of perceived quality and esteem dimensions. In other words, Bank image is a perception of a brand held in customer memory and reflecting a customer's overall impression. A positive Bank brand image can be considered as a crucial ability of a corporation to hold its market position.

Customer satisfaction is all about the "feeling or attitude of a consumer towards a product/service after it has been used". (Metawa & Almossawi, 1998). Customer satisfaction is a state of mind in which the customers' wants, expectations and needs throughout the product or service life are met or enhanced resulting in future loyalty and purchase.

### **Research Methodology**

To investigate the factors and forces which influence on customer satisfaction and its association with it in Islamic banking and finance industry, special reference to Amana Bank PLC in Kurunegala district, this study employed survey methodology as adopted in prior research in this area.

### **Hypothesis**

The hypothesis presented in this study will be testable. The null and alternative hypotheses are to test.

Product attributes:

- H0: There is no positive relationship between product attributes and customer satisfaction.
- H1: There is a positive relationship between product attributes and customer satisfaction.

Service quality

- H0: There is no positive relationship between service quality and customer satisfaction.
- H1: There is a positive relationship between service quality and customer satisfaction.

Knowledgeable Employees

- H0: There is no positive relationship between knowledgeable employee and customer satisfaction.
- H1: There is a positive relationship between knowledgeable employee and customer satisfaction.

Bank's image

- H0: There is no positive relationship between Bank's image and customer satisfaction.
- H1: There is a positive relationship between bank's image and customer satisfaction.

### The Sample

Research was undertaken on the factors and forces influence on and its association with customer satisfaction of Amana Bank Plc in Kurunegala District. Data in which was gained from the selected customers of Amana bank through questionnaires and interviews, have influenced in completing this research in a perfect manner. 200 Questionnaires were distributed directly among the customers of Amana Bank. Out of 200 questionnaires 152 were received.

### Statistical Methods

Regression analysis is used to predict the nature and closeness of relationship between two or more variables. It evaluates the casual effect of one variable on another variable. In addition to that, it is used to predict the variability in the dependent variable based on the information about one or more independent variables. Simple linear regression is a part of a form of regression analysis which is modeled by Simple linear regression equation. The mean of a series of variables is the arithmetical average of those numbers. It is determined by summing the numbers, then dividing that sum by the number of variables, included in that sum. Standard Deviation is widely used measure of variability or diversity used in statistics and probability theory. It shows how much variation or "dispersion" there is from the mean (expected value). Correlation analysis tests the relation between the variables selected in the regression analysis. It indicates the strength and direction of a linear relationship between two random variables.

### Discussion and Implications of the Results

#### Customer Satisfaction related to Product Attributes

According to the results, in line with customer satisfaction, 106 (69.7%) respondents perceive that the Amana Bank products simple and easier to understand. 120 respondents (78.9%) agree that the products of Amana Bank is helps to release from interest. 105 respondents (79.6%) agree that the products are Shariah Oriented. 121 respondents

(79.6%) agree that they satisfied Products with Good Manner. 81 (53.2%) respondents agree that the Amana Bank products and Services are profitable and efficient.

Mean for the questions related to product attribute is seen as 4.006 According to this statistics, stage of the customer satisfaction in related to product attribute of Amana Bank is seen in a stage of high level in causing customer satisfaction.

The Pearson correlation of product attributes of customer satisfaction is .077. It is positive relationship. Therefore, there is a positive correlation of coefficient between product attributes and customer satisfaction. Therefore, hypothesis H1 is can be accepted and H0 is can't be accepted. It means that there is a positive relationship between these two variables. Therefore, it can be statistically concluded that there is a significant positive relationship between product attributes and customer satisfaction on Amana Bank. It means when product attributes increase the customer satisfaction will also be increased.

This simple linear regression equation shows that the value of 'b' = 0.084 slope of the regression line. This simply indicates that there is a positive relationship between the customer satisfaction and product attributes. Further it can be expected that when Product attributes are increased by one, the customer satisfaction will be increased by 3.638. This indicates that even though there is a positive relationship between the customer satisfaction and product attributes.

#### Customer Satisfaction related to Service Quality

Based on the result, 113 respondents (74.4%) agree that the Bank provides a qualified service. 90 (59.2%) respondents agree that the bank is effective in completing transaction. 109 (71.7%) respondents agree that it is eligible to get qualified service within a short period. 103 respondents (67.8%) agree that the Amana Bank Services Motivate to get Services again. 108 respondents (71%) agree that the customers receive good value for their money.

Mean for the questions related to service quality is seen as 3.99. According to this statistics, stage of the customer satisfaction in related to service

quality of Amana Bank is seen in a stage of high level in causing customer satisfaction.

The Pearson correlation of service quality of customer satisfaction is .016. It is positive relationship. Therefore, there is a positive correlation of coefficient between service quality and customer satisfaction. Therefore, hypothesis H1 can be accepted and H0 can't be accepted. It means that there is a positive relationship between these two variables. Therefore, it can be statistically concluded that there is a significant positive relationship between service quality and customer satisfaction on Amana Bank. It means when service quality increases the customer satisfaction will also be increased.

This simple linear regression equation shows that the value of 'b' = 0.019 slope of the regression line. This simply indicates that there is a positive relationship between the customer satisfaction and service quality. Further it can be expected that when service quality increased by one, the customer satisfaction will be increased by 3.900. This indicates that even though there is a positive relationship between the customer satisfaction and service quality.

#### **Customer Satisfaction related to Knowledgeable Employee**

Based on results, 65 respondents (42.8%) neutral that employees have the sufficient knowledge of Islamic Banking. 101 respondents (66.5%) agree that employees are well trained and explain the product clearly. 85 respondents (55.9%) agree that the employees in bank are well experienced in diagnosing customers problem. 115 (75.6%) respondents agree that the employees are able to serve and complete customer transaction quickly and accurately. 130 respondents agree (85.5%) that the employees are trust worthy, honest and respectful.

Mean for the questions related to knowledgeable employee is seen as 3.878. According to this statistics, stage of the customer satisfaction in related to knowledgeable employee of Amana Bank is seen in a stage of high level in causing customer satisfaction with the service of Amana Bank.

The Pearson correlation of knowledgeable employees of customer satisfaction is 0.239, which is strongly positive. Therefore, there is a positive

correlation of coefficient between knowledgeable employees and customer satisfaction. Therefore, hypothesis H1 can be accepted and H0 can't be accepted. It means that there is a positive relationship between these two variables. Therefore, it can be statistically concluded that there is a significant positive relationship between knowledgeable employees and customer satisfaction on Amana Bank. It means when knowledgeable employees increase, the customer satisfaction will also be increased.

This simple linear regression equation shows that the value of 'b' = 0.261 slope of the regression line. This simply indicates that there is a positive relationship between the customer satisfaction and knowledgeable employee. Further it can be expected that when knowledgeable employee increased by one, the customer satisfaction will be increased by 2.964. This indicates that even though there is a positive relationship between the customer satisfaction and knowledgeable employee.

#### **Customer Satisfaction related to Bank's Image**

According to the results, 102 (67.1%) respondents agree with the confidence of branch network and bank's management. 111 (73%) respondents agree with the convenience of bank equipment. 66 (43.4%) respondents neutral with Placement of the Bank. 105 (69%) respondents agree with the social and friendly feature of bank personnel. 80 (52.6%) respondents agree with the bank hours.

Mean for the questions related to bank's image is seen as 3.752. According to this statistics, stage of the customer satisfaction in related to bank's image of Amana Bank is seen stage of high level in causing customer satisfaction with the service of Amana Bank.

The Pearson correlation of Bank's image of customer satisfaction is .183. It is strongly positive. Therefore, there is a positive correlation of coefficient between Bank's image and customer satisfaction. Therefore, hypothesis H1 can be accepted and H0 can't be accepted. It means that there is a positive relationship between these two variables. Therefore, it can be statistically concluded that there is a significant positive relationship between Bank's image and customer satisfaction on Amana Bank. It means when Bank's image increases the customer satisfaction will also be increased.

This simple linear regression equation shows that the value of 'b' = 0.182 slope of the regression line. This simply indicates that there is a positive relationship between the customer satisfaction and bank's image. Further it can be expected that when bank's image increased by one, the customer satisfaction will be increased by 3.291, this indicates that even though there is a positive relationship between the customer satisfaction and banks image.

#### **Customer Satisfaction**

According to the findings, satisfaction amongst customer satisfaction towards Amana bank is seen as follows. 106 (69.8%) respondents agree that they satisfied with Amana Bank. 107 (70.4%) respondents agree that they make a good relationship between customer and Bank. 110 respondents (72.3%) agree that they satisfied with products and services of Amana Bank. 79 (52%) respondents agree that the Bank Staff's response. 112 (73.7%) respondents agree that they have no desire to move to another Bank for their banking needs.

Mean for the questions related to customer satisfaction is seen as 3.976. According to this statistics, stage of customer satisfaction in related to Amana Bank is seen in a stage of high level.

#### **Conclusion**

Customer satisfaction of Amana Bank depends on the product attributes. Based on data analyzed, most of the customers agree that the Amana Bank's products are basically good and Shariah oriented and that Amana bank helps to release their customers from interest in the exchanges of the transactions. Most of the customers agree that it is easier to get to know Amana Banks products and customers of Amana Bank get enough benefits from its products.

Customer satisfaction of Amana bank depends on the service quality. Based on the data analyzed, customers agree that Amana bank provides better services. They also agree that bank is efficient in completing transaction and it is able to provide better service within a short period of time.

Further, they do agree that is eligible to get qualified services within a short period of time, compared to the other financial institution. They also agree that customer gains a good value for

their money during Amana Bank's products. Based on the data analyzed the service quality of Amana Bank is acceptable by its customers.

According to the data analyzed, employees are well experienced in solving the problems of customers and they have ability to complete the exchanges properly and as soon as possible. Further, employers possess reliability, honest and respect.

Further, based on the data analyzed, Employees of Amana bank have a few knowledge about Islamic banking products because most of the customers give their opinions in neutral.

Customer Satisfaction of Amana Bank product depends on bank's image. According to the research, most of the customers are satisfied with the bank's image. Customers are satisfied in confidence of bank management and convenience of equipment.

Based on the data analysis most of the customers (43.4%) provide their opinions in neutral because there are only two branches in Kurunegala District. Therefore the customers have faced so many inconveniences to deal with Amana Bank. So, customers like to increase the branches in Kurunegala District.

Based on the data analyzed, the researcher has recommended the following recommendations as suggestions to the consideration of readers.

- Islamic banks have to undergo actions for advertising banking services regarding Bank's product among public, as much as the conventional banks do. Then only Islamic banks would be able to get opportunity to bring out their products successfully among customers. It would cover the way for the bank to get new customers and customer's satisfaction as well.
- The particular bank should contribute its full cooperation to those who undergo researches related to this banking service. Then only, various things about this banking service would be discussed and researched among the knowledgeable society. As a result, a better result could be gained.

- Students, non Muslim customers and public should be provided awareness programs and the need of Islamic banking activities regarding Islamic banks, at universities and technical colleges.
- Islamic bank has to expand its branches as the other banks do. It would lead to the expansion of bank service. A chance of providing this service to the people of all the areas will be made through this. Further, customer satisfaction also could be made through it.
- By means of providing a clear explanation to the bank employees regarding product, facilities for undergoing studies related to it should be made.

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