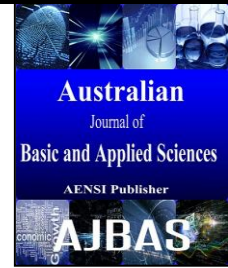




ISSN:1991-8178

Australian Journal of Basic and Applied Sciences

Journal home page: www.ajbasweb.com



Identifying Service Quality As Antecedents To Customer Loyalty, Customer Satisfaction and Customer Commitment in Islamic Banking Industry

Fettie Zanzilla Binti Zainol

Department of Marketing , Faculty of Business Management University Technology Mara (Uitm) Malaysia

ARTICLE INFO

Article history:

Received 12 March 2015

Accepted 28 April 2015

Available online 2 May 2015

Keywords:

Service quality, Customer satisfaction, Customer loyalty and Customer commitment

ABSTRACT

This study attempted to investigate on the service quality, providing by Islamic banking industry and how it is affected by the customer loyalty, customer satisfaction, and customer commitment. As we altogether know, one of the primary elements that will tempt the customers committed to the bank depends on the character of the help provided by the manufacture itself. Quality consists of preparing service or stuff to use that it itself needs quality planning, adaption, being accessible and proper place for offering services (Louothesis, 1992). The issue highlighted in this conceptual paper regarding the customer loyalty, customer satisfaction and commitment to service quality that provided by the industry. The work of Islamic Banking derives from Islamic Principal and Syariah that is differences with the conventional bank. Therefore, it's important for banks to determine customer's expectation towards service quality in order to commit the relationship in the Islamic banking industry and develop services that exceed their expectations. On the other hands, this study examines a relationship of service quality to customer satisfaction, customer loyalty and also customer's commitment towards the Islamic banking industry..

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To Cite This Article: Fettie Zanzilla Binti Zainol., Identifying Service Quality As Antecedents To Customer Loyalty, Customer Satisfaction and Customer Commitment in Islamic Banking Industry. *Aust. J. Basic & Appl. Sci.*, 9(17): 35-39, 2015

INTRODUCTION

The establishment of Islamic banking industry and the emergence of interest-free transactions in the banking system have created an opportunity for the non-Muslim to safely engage in their banking transaction in a legitimate way. The main purpose of Islamic banking activities comprises of the prohibition of interest (riba) in all forms of transaction, undertaking business and trade activities on the basis of fair and legitimate profit and cooperation for the benefit of society and development of all halal aspects of business that are not prohibited by Islam.

The Islamic banking industry today, operates in competition with other Islamic bank and a foreign Islamic bank which is offering varieties product and services founded on Islamic precepts. Due to that we can say, Islamic banking is severe. Islamic banks are experiencing strong competition not only among Islamic banks, but also for their non- Islamic counterparts (Naser and Moutinho, 1997). This aspect brings about the concern that only "customer loyalty "can ensure competitiveness and their continued survival (Ahasanul Haque et. Al.2009).

Therefore, a customer nowadays is more demanding, especially in term of service quality that provide by the bank as well.

Growing on service providing by Islamic banking industries and important to service quality towards non-Muslim customers, an apparent gap exists on the determinants of non-Muslim customer loyalty. The purpose of this study is to analyze on non-Muslim customer loyalty, commitment and satisfaction in the Islamic banking industry through service quality. Service quality has been postulated to have a great impact on firms' performance (Zatar, 2012).

This paper, at the same time, provides a brief review of some the relevant determinant that used to identify service quality towards customer loyalty, satisfaction and commitment toward the banks. Presently, banks are trying to win customer satisfaction, loyalty and commitment by providing a better quality of service, hence the service quality as an indispensable competitive strategy to retain customer base. Customers now days are more demanding and high expectation for the service quality that they will receive. Through their good experience with the service, customers will have a

Corresponding Author: Fettie Zanzilla Binti Zainol, Department of Marketing , Faculty of Business Management University Technology Mara (Uitm) Malaysia
Tel: +0122050413; E-mail: zillazainol@yahoo.com

positive perception and recommend to the others. When banks are not able to meet customer's expectations, they defect to other service providers, causing the bank to lose customer base. A firm's inability to meet the expectation of customers may result from low service performance, prior negative experience, unaddressed customer complaints, and negative word-of-mouth (Bearden & Teel, 1983). Thus, the bank needs to be more alert and pay more attention to service quality in order to satisfy customer and to maintain their loyalty to the company as well.

2. Literature Review:

2.1 Service Quality:

Service quality that is provided in the Islamic banking industry between the banks must be different from the others among the competitors. It represents the difference between customer expectations and the perception of the service offered (Wang, Lo, & Yang, 2004). According to Bolton and Drew (1991) describes service quality as a form of attitude that results from the comparison of expectations with performance. With a good service quality, it will help the bank to achieve their goals, objective and performance as well.

A good service quality is provided by Islamic banking services, especially towards non-Muslim customers result from a good reputation between among them. Berry et al (1990) pointed out that since customers are the "sole judge of service quality", an organization can build a strong reputation for quality service when it can constantly meet customer service expectations. Islamic bank industries must always alert on the customer's demanding and expectation towards the bank service. Consumer all over the world have become more quality conscious; therefore the customer's requirements for higher quality service have been increased (Lee, 2005). Most of the customers need a service that is accessible and convenient to them once they are dealing with the bank. Hence, Islamic banking industry should emphasize a various dimension of service quality in order to be more efficient

A recent study by Ndubisi, Wah and Ndubisi (2007) investigated the impact of quality on customer loyalty of banks in Malaysia. Their study found customers anchored loyalty to the bank's quality. Those who satisfied with the quality service of the bank were more likely to be a loyal customer to the bank. Hence, the customer's experience in the service also is a tendency for them to compare within the banks and if their experiences do not match their expectation, there arises a gap.

Main factor in any business activity which is lead to business success is a service quality. This is especially to the marketer; a customer's evaluation of service quality and the resulting level of satisfaction are perceived to affect bottom line measures of business success (Iacobucci et al., 1994). Customer

expectations are beliefs about a service that serve as standards against which service performance is judged (Zrithaml et al., 1993).

Most of the customer, especially in the service industry act as a judge where's their expectation are high and more demanding now a days. According to the service theory quality (Oliver 1980), it is predicted that customers will judge that quality as 'low' if performance does not meet their expectations and quality is 'high' when performance exceeds expectation. On the other hand, Islamic bank staffs, must have a good knowledge of the products and services provided by banks, thus will help the bank compete with the others. Based on the ideas of Huseyin, et. AL. (2005) stated that good knowledge of the characteristics and advantages of service quality on the part of banks does contribute to their success and their persistence in the banking competitive environment. Due to that, banks must consider choosing and selecting creative employees with high qualifications and capabilities in order to contribute to the Islamic banks succeed.

According to Abdullah (2002), service quality is a recent and helps control the competitive position and consequently determine the market share and profits. By providing an effective service quality in this Islamic banking sector, it will help the industry to maintain their profit in every product of the banks. Hence, service quality is important in order to improve value, image, satisfaction which will influence and determine service loyalty towards the bank. With a good service quality provider, its help the bank not only to gain a profit, but also to maintain their share of customers as well.

2.2 Customer Satisfaction:

To satisfy customers, the bank should more intensive focus on the service quality. Thus, the quality of service, that offered by the Islamic banking industry will help and determine customer satisfaction. Loyalty of customers is considered to be a function of satisfaction and loyal customers will contribute to company profitability by spending more on company, product and service, via repeating purchasing and by recommending the organization to other consumers (Fecikova, 2004).

Besides that, with a good quality of service also will influence's customer to repeat the service at the same bank and contribute to loyalty as well. The more consumers full fill their expectations during their service usage, the higher the probability that consumers will repeat purchase in the same establishment (Wong and Sohail, 2003).

Thus, we can say that, satisfaction play an important factor which is determined in this study. (Anderson et al, 1997) stated that customer satisfaction is viewed as the overall assessment of the service provider. Besides that, customer's satisfaction and service quality are the most important element in this Islamic banking sector in order to achieve their

mission and goal.

A good and well managed throughout the service will contribute to customer satisfaction also. Hence, quality service is considered as the most important aspect, satisfaction and quality have evolved along parallel tracks (Strandvik & Liljander, 1995).

Customer satisfaction and loyalty are related to each other, in the same way it's to inculcate customer's loyalty behaviour, Hoq and Amin (2010) stated that satisfaction is one of the most important factors in the process of increasing customer loyalty. Satisfied customers are considered potential loyal customer (Ennew & Binks 1996). Thus, the Islamic banking sector has to make sure that service quality provided by them are more accurate from time to time in order to attract and retain their customers.

Customer satisfaction and service quality are interrelated which means that the higher service quality provides by the bank the higher is customer satisfaction. In the Islamic banking sector, there's no recognized standard scales in order to measure the perceived quality towards the bank service. Due to that reason, a lot of bank competitors are trying to increase their service quality. According to Bateson (1985) measuring service quality seems to pose difficulties to service providers because of the unique characteristics of services; intangibility, heterogeneity, inseparability and also perishable. Therefore, customer satisfaction is one of antecedents of service quality in this Islamic banking industry.

2.3 Customer Loyalty:

Dimitriades (2006) stated that, loyal customers are defined as those customers who hold favorable attitudes towards an organization, recommend and the organization to others consumers and exhibit repurchase behaviour. Providing an excellent service quality in this Islamic banking industry is the main factor in order to achieve customer loyalty and sustain the loyalty for a long period of time.

Now days, a customer is more demanding and also have a good knowledge about their rights and needs. Customer loyalty is the extent to which customers exhibit repeat purchasing behaviour from the same provider, processes a positive disposition toward the provider, and thinks of using this provider only at all times when the need arises (Gremier & Brown, 1996). According to Oliver (1999p. 34) customer loyalty is defined as "a deeply held commitment to re-buy or re-patronize a preferred product/service consistently in the future, thereby causing repetitive same brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour".

Thus, if expected service was low, most of the customer would likely to get another option or switch to the others where they can have a better service

quality. Therefore, it can lower the bank's reputation and effect customer's loyalty towards the bank as well, whereas bank should implement their service and to be more reliable. Islamic bank has to accurately achieve its service in the proper way and according to the promises that have been made to the customers as well.

Islamic banking industry must regularly increase their effectiveness and improvement in the service quality in order to make sure their customer loyalty to the bank of services. According to (Kheng et.al., 2010) customers are more aware their rights and needs keep changing frequently, these factors, coupled with increased competition mean that banks have to make regular improvements in their service quality to customers in order to ensure customers remain loyal. Moreover, Islamic banking services also must be more efficient in providing their services to the customer and alert of customers' needs, but nevertheless before commence any strategies in order to maintain existing customers, it is very important to determine on customer loyalty.

The number of a common factor that determine customers loyalty in the service industry such as trust, commitment, satisfaction, price and image. According to Chi and Qu (2008), by understanding the factors of the customer loyalty will allow management to concentrate on the major influencing factors that lead to customer retention. It has been shown that, fundamental to the success of Islamic banking is a delivery of superior and excellent service quality. Furthermore, banks need to meet or exceed customer's request and their expectations in order to create customer loyalty for increasing competitive advantages. Customers are prudent and resentful in paying for a service that does not meet their expectations (Johnson & Weinstein, 2004).

2.4 Customer Commitment:

According to Walker and Johnson, 2005 commitment is a desire to have a continued relationship and an effort to ensure its continuance. Prior to this, it's important to make sure that the bank always to ensure their service are efficient and accessible according to the customer's demand. Beatty *et al.*, (1988) define consumer commitment as the psychological attachment to a service that develops.

Adamson, Chan & Handford (2003) stated that to ensure that the customers are committed, a company's strategy should be customer centered, long term and based on a mutual benefit relationship. Commitment is described as an element in successful long-term relationship in the service industries and more specifically in the banking sector. Moorman, Zaltman and Deshpande (1992) have defined commitment as "an enduring desire to maintain a valued relationship". Moreover, a customer with a positive commitment towards the service provider of bank will help the organization to achieve their

objective and performance goals such as higher sales and profit. Apart from that, customers will commit to the bank if they maintain a good relationship and providing an excellent quality of service.

As explained by Allen and Meyer (1991) commitment has three dimensions; affective (desired- based), continuance (cost- based) and normative (obligation- based). Affective commitment is referred to emotion and personal attachment; customer commits to an organization because of personal interest and emotion. Secondly, continuance commitment refers to the commitment that based on the costs that may occur by leaving the relationship. Thirdly, normative commitment stated that this commitment is based on moral beliefs and obligations (Allen and Meyer 1990). This three dimension commitment contributes to an organization's and individual willingness to commit to an organization. All those commitment types help Islamic banking to indicate and recognize the type of their customer's attitudes and behaviour in order to provide the customer with a good service quality.

Conclusion:

Today competition in the banking industries is more growing intense constantly. A company must understand the customer's need and expectation due to customers as the core concept in their business. Service that provide by the bank must be efficient, accurate and effective.

Apart from that , service quality that is provided by the banking industry can't be touched or felt before it's purchased, therefore, features and benefits of the services that provided by the bank must be well communicated and also acceptable in the market as well. To achieve this objective in this banking industry, banks must more focus and concentrate on seeking strong competitiveness by developing new ideas towards their service quality from time to time. Besides that, the performance of the service quality must be effective and accurate towards customers in order to make them feel comfortable and commit to the bank.

A good quality service will ensure an organizational success, performance and also survived in the banking industry. Bank staff must have to ensure that they understood on customer's need and strive to tailor their services, which will make them stand out from the others competitors and thus develop customer loyalty.

While service quality and product in the banking industry are essential today's competitive, it's equally important that the bank to must make sure that customer experience a good and efficient service. Hence, bank that caters to their customer's needs and expectations will inevitably gain the loyalty of their customers, thus will result in repeating the business, as well as potential referrals. In the same way also, customer value is an asset to the organization and for that reason bank has to make sure that the rights

service quality and products supported by the right time for their customers.

To conclude, by having excellent service quality it's playing an important factor that affect the customer's satisfaction, commitment and also their loyalty to the bank. Besides that, Islamic banking industry must select a knowledgeable staff with a high qualification in order to maintain their effectiveness of the service quality and performance. Training should be conducted by all Islamic bank staffs hence to compete with the others bank's competitor especially on the product and services.

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