



## Service Quality of English Islamic Banks

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A thesis submitted in partial fulfilment of the requirements of  
Bournemouth University for the degree of  
Doctor of Philosophy

Business School

February 2010

Bournemouth University

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Abstract:

Britain has the most active and developed Islamic banking sector in the European Union. This sector is set to grow with both Islamic and non-Islamic banks now offering a range of Sharia compliant products. However, are these banks meeting the service quality needs of their customers? Previous studies on service quality within Islamic banks have been restricted to Muslim-based countries and whilst English Muslims will have the same religious beliefs, their values may have been altered by the western society in which they live and work. Hence existing service quality tools are likely to be unsuitable for this market.

Using mixed methods, this research developed a modified SERVQUAL model for measuring service quality in English Islamic banks. The resulting instrument is intended to help the managers of Islamic banks based in England to measure their service quality and focus their attention on the service quality dimensions that matter most to Muslim customers

Items for the new service quality instrument were taken from the original SERVQUAL model, previous studies that modified SERVQUAL and eight focus groups conducted with members of the English Muslim community. The resulting instrument was tested via a questionnaire with more than 300 Muslims in England resulting in the EIBSQ, an English Islamic Banking Service Quality tool. This measures service quality as perceived by English Muslims. Using factor analysis, the instrument includes thirty-four items, which are grouped into five dimensions. The five dimensions are: responsiveness, credibility, Islamic tangibles, accessibility, and bank image.

One of the key contributions of this thesis is the proposed EIBSQ. Previous studies using SERVQUAL reveal that the use of this original scale in an international context raises a legitimate concern about validity across borders and the scale construct as items can be affected by different contexts. To the researcher's knowledge, very few service quality models have been developed for the Islamic banking industry and none exists to measure the quality of service and customer satisfaction for the English Islamic banking industry.

List of contents:

Abstract	I
Acknowledgement	XII
Chapter One: The Introduction	1
1.1 Introduction	1
1.2 Aims of research	5
1.3 Objectives of the research	5
1.4 Why studying English Islamic financial market?	7
1.5 Why Service quality?	8
1.6 Research logic	9
1.7 Research method	10
1.8 Data collection	11
1.9 Research importance	12
1.10 Research limitation	13
1.11 Research layout	13
Chapter Two: Islamic Banking Industry	16
2.1 Introduction	16
2.2 Philosophy of Islamic economy	17
2.3 The principles of Islamic economics	20
2.3.1 Making money from money is not permitted	20
2.3.2 Interest is prohibited in all forms of transactions	21
2.3.2.1 Definition of interest	21
2.3.2.2 Reasons for prohibiting interest	22
2.3.3 Profit and loss sharing	23
2.3.4 Fair profits	24

2.3.5 Investing in Halal businesses	25
2.4 Islamic banking definition	25
2.5 Background of Islamic banking	26
2.6 Islamic banking globally	31
2.7 Islamic banking in England	33
2.7.1 Financial service provided by English Islamic Bank	35
2.8 Islamic banking methods	35
2.9 Conclusion	36
Chapter Three: The Service Quality Models	38
3.1 Introduction	38
3.2 Definition of quality	39
3.3 Bank service quality	41
3.4 Service quality and satisfaction	42
3.5 SERVQUAL (gap model)	43
3.6 SERVQUAL debate	47
3.6.1 Dimensions	47
3.6.2 Culture	48
3.6.3 Measurement ability	49
3.7 SERVQUAL's alternatives	52
3.8 Service quality and culture reflection	53
3.9 CARTER (Islamic SERVQUAL)	54
3.10 Literature gap (English Islamic SERVQUAL)	55
3.11 Service quality studies, dimensions and items	55
3.11.1 Reliability	57
3.11.2 Assurance	58

3.11.3 Responsiveness	59
3.11.4 Tangibles	61
3.11.5 Empathy	62
3.12 List of items	65
3.13 Conclusion	66
Chapter Four: Research Methodology	68
4.1 Introduction	68
4.2 Research philosophy	68
4.3 Research methods	70
4.4 Data collection	71
4.4.1 Primary source	71
4.4.2 Secondary source	74
4.5 Population and sample of the research	74
4.6 The focus groups	75
4.7 Research questionnaire	76
4.8 Research questionnaire items	77
4.9 The pilot study (pre-test questions)	78
4.10 The study variables	79
4.10.1 Demographic variables and measurement	79
4.10.2 Service quality variables and measurement	80
4.11 Study hypotheses	82
4.12 Statistical analysis	83
4.12.1 Descriptive analysis	84
4.12.2 Mann Whitney Test	84
4.12.3 Factor analysis	85

4.12.4 Wilcoxon Signed Ranks Test	85
Chapter Five: Group discussions findings	86
5.1 Introduction	86
5.2 Participants description	86
5.3 Discussions structure	87
5.4 Discussions' findings	88
5.4.1 Awareness	88
5.4.2 Service quality items	89
5.4.2.1 Islamic items	102
5.4.2.2 General items	103
5.5 Conclusion	104
Chapter Six: Findings of the Study Survey and Discussion	105
6.1 Introduction	105
6.2 Description of the study sample	105
6.3 Description of Islamic bank account holders and non-Islamic bank account holders	109
6.4 Reasons for holding an Islamic bank account	114
6.5 Reasons for not holding an Islamic bank account	115
6.6 Demographic variables–significance test findings	116
6.6.1 Gender	116
6.6.2 Age	117
6.6.3 Education	118
6.6.4 Gross annual income	119
6.6.5 Marital status	120
6.6.6 Nationality	121
6.6.7 Ethnic origin	122

6.6.8 Occupation	123
6.7 Conclusion	124
Chapter Seven: EIBSQ and Customer Satisfaction	125
7.1 Introduction	125
7.2 Developing a service quality model for Islamic banking in England (English Islamic Banking Service Quality model-EIBSQ)	125
7.3 EIBSQ five factors' name and description	130
7.4 Using EIBSQ to measure customer satisfaction	134
7.5 The relationship between banking choice and respondents' opinions	141
7.5.1. Importance	141
7.5.2 Expectation	143
7.6 Conclusion	145
Chapter Eight: The Study Implications, Contribution and Recommendations	146
8.1 Introduction	146
8.2 Study implications	146
8.2.1 EIBSQ dimensions and items	147
8.2.2 Customer satisfaction using EIBSQ	150
8.2.3 Customer awareness	153
8.3 Contribution	154
8.4 Limitations	156
8.5 Recommendations	158
8.5.1 Recommendations for future research	158
8.5.2 Recommendations for Islamic banks	160
8.6 Conclusion	162
References	164



Glossary	184
Appendices:	
Appendix 1: Research Strategy	185
Appendix 2: SERVQUAL Items	188
Appendix 3: CARTER Items	189
Appendix 4: The Components of Service Dimensions	191
Appendix 5: Focus Group identification questions	195
Appendix 6: Focus Groups Questions	197
Appendix 7: Extracts from focus groups	199
Appendix 8: Questionnaire items	207
Appendix 9: Letter	215
Appendix 10: Non-Islamic bank account holder questionnaire	216
Appendix 11: Islamic bank account holder questionnaire	222
Appendix 12: SERVQUAL, service quality studies dimensions and items	230

List of Tables:

2-1: Islamic banks' establishment	27
2-1: The growth of English Islamic Banks	34
3-1: Service quality literature in banking industry (Islamic and non-Islamic)	56
5-1: Focus groups' details	86
5-2: List of the points mentioned in focus group discussions	90
5-3: points list reduction	91
5-4: Items identified from focus group	92
5-5: Islamic items	102
5-6: General items	103
6-1: Description of the study sample – Gender	106
6-2: Description of the study sample – Age	106
6-3: Description of the study sample – Education	107
6-4: Description of the study sample - Annual income	107
6-5: Description of the study sample - Marital status	108
6-6: Description of the study sample – Nationality	108
6-7: Description of the study sample - Ethnic origin	108
6-8: Description of the study sample – Occupation	109
6-9: A comparison of Islamic and non- Islamic bank account holders by gender	110
6-10: A comparison of Islamic and non- Islamic bank account holders by age	110
6-11: A comparison of Islamic and non- Islamic bank account holders by education	110
6-12: A comparison of Islamic and non- Islamic bank account holders by income	111
6-13: A comparison of Islamic and non-	112

Islamic bank account holders by marital status	
6-14: A comparison of Islamic and non-	112
Islamic bank account holders by nationality	
6-15: A comparison of Islamic and non-	113
Islamic bank account holders by ethnic origin	
6-16: A comparison of Islamic and non-	113
Islamic bank account holders by occupation	
6-17: Reasons for holding an Islamic bank account	114
6-18: Reasons for not holding an Islamic bank account	115
6-19: Chi-Square Test – Gender	117
6-20: Mann-Whitney U Test – Age	118
6-21: Mann-Whitney U Test – Education	119
6-22: Mann-Whitney U Test - Income	120
6-23: Chi-Square Test – Marital Status	120
6-24: Chi-Square Test – Nationality	121
6-25: Chi-Square Test – Ethnic Origin	122
6-26: Chi-Square Test – Occupation	123
7-1: KMO and Bartlett's Test	127
7-2: Factor loading of EIBSQ	128
7-3: Previous description to EIBSQ items	131
7-4: Results of Wilcoxon Signed Ranks Test	136
7-5: Customer Dissatisfaction with 26 EIBSQ items	137
7-6: Satisfactory EIBSQ items	140
7-7: IBAH and NIBAH importance	142
7-8: IBAH and NIBAH expectation	144

List of Figures:

3-1: SERVQUAL's dimensions	44
3-2: Direction of customers' perceptions in SERVQUAL	46

## Dedication

This thesis is respectfully dedicated to the spirit of my missed mother and to my loved father may Allah protect him and allows me to bring him happiness.

## Acknowledgement:

I thank Allah without whom I would not be able to finish the requirement of my PhD. My sincere gratitude goes to several people who have never stopped helping and supporting me with all their knowledge, professional advice, direction and assistance to complete this research. First and foremost, I would like to thank the warmly welcoming and supportive faces of my supervisors; Dr. Julie Robson, Professor Philip Hardwick, and Robert Day. I will never forget their unfailing generosity and professionalism.

Special sincere thanks are due to Professor Nick Grief, Dr. Julia Kiely, Jennie Bowen, Jane Gwizdala, Kristie Wilson, Barbara Montagna, Sarah Green and Philippa Crosse, for all their efforts in dealing with many problems, which students inevitably encounter during the course of their studies. Likewise, my thanks go to Dr. Ibrahim Essam, Dr. Abi Marandi, and Dr. Eddy Donnelly for their time to read and comment this research.

For his technical and statistical support, I would like to thank Dr. John Beavis.

For their unfailing professional and supportive attitude, I would like to acknowledge all the academic and administrative staff at the Business School at Bournemouth University.

My thanks go to all the library and academic services staff for facilitating the use of the academic resources and specially for obtaining all the inter-library loans for the research, and for their patience.

Sincere thanks to Dr. Mohamed Ben Abdul Ghafar for his unconditional support during my hard time. Likewise, my thanks go to Ahmad Al Sharif and Rakiya Sanusi for sharing the knowledge and experience they obtained from academic and practical life.

Great thanks are due to the Libyan government for their financial support. Likewise, my thanks go to the many people who have played an important part during this research, friends, family, neighbours, and associates in Bournemouth and Poole.

Finally, I would like to ask God to give me the strength and drive to make use of the knowledge I acquired at Bournemouth University, and of the insight I gained living in the UK, to help people in my country and the world at large.

# **Chapter One**

## **The Introduction**

### **1.1 Introduction**

Recent interest in Islamic banking and finance in the United Kingdom is consistent with the growing popularity of this type of banking in other countries and the increasing number of Muslims living in the west who want to adhere to their religion and faith, which prohibit interest. In 2003, Dar's study reveals that over 90 percent Muslims in the UK reject interest-based finance and the majority would consider switching to a Sharia-compliant alternative. Islamic banks can and do primarily attract clients because of their religious beliefs, and their desire to translate these into everyday financial dealings (Wilson, 2004). There are more than 300 Islamic financial institutions in over 70 countries with Islamic financial investments (e.g., banking and investing on an interest-free basis) exceeding USD 500 billion. Deposits in Islamic banks are around USD 272 billion worldwide and the average annual growth rate has been 15-20% over the past decade (Islamic Finance Information Service IFIS, 2007). Also, about 15 million Muslims live in Europe, 3 million of them permanently residing in the UK (Hanlon, 2004), with estimated savings of £1 billion (Tlemsani and Matthews, 2003) and approximately 25% have annual incomes of over £30,000 (Matthews et al., 2003) and more than half million Muslims are visiting London annually spending £600 million (Howard, 2002 and Financial Service Authority FSA, 2006).

Nowadays, Britain has the most active and developed Islamic banking sector in the European Union and is leading the way for Islamic banking in the west. Most recently, Britain plans to become the first western government to issue Islamic bonds (Islamic



Finance Information Service, 2007). This is because the role of the city of London, as an international financial centre, attracts significant Islamic funds through investment banks and other financial intermediaries having business links with the Middle East, as well as serving British Muslims' needs. The Prime Minister of Britain (former chancellor of Britain) has said;

*“Today British banks are pioneering Islamic banking; London now has more banks supplying services under Islamic principles than any other Western financial centre. British professional services firms are leading the way in Islamic business services-with English commercial law now the law of choice”.*

*(Brown, August 2006)*

Islamic banks began operating in the UK in the 1980s. The first such banks included Al Baraka International Bank, United Bank of Kuwait, Al Ahli United Bank (through its London branch), United National Bank, and HSBC-Amanah Islamic Finance. Lloyds TSB and others such as Alburaq (a subsidiary Arab Banking Corporation) started offering Islamic mortgages to Muslims living in the UK. These were followed by UK-based Islamic banks, such as the Islamic bank of Britain which was the first fully Islamic bank authorized by the FSA in 2004 (FSA, 2006), Europe Islamic Investment Bank and most recently QIB's European subsidiary, European Finance House (EFH) (IFIS, 2007).

The increase in the number of providers of Islamic financial services in the UK has led to strong competition between English Islamic financial services and the non-Islamic financial market in general and between English Islamic banks in particular (UK banks are based in England, mainly in London). This should lead both providers and academics

to take a closer look at the awareness, customers' differences, and satisfaction of British Muslim community towards financial services, as well as the quality of Islamic financial service products in the UK (England in particular). Service quality and customer satisfaction are issues that need to be addressed in Islamic financial services using the most contemporary techniques to strengthen the Islamic financial services system, so it can stand alongside the well-established non-Islamic financial services system and claim to have become part of the mainstream financial system.

The closure of Al-Baraka Bank in the early 1990s and failure to attract sufficient clients by Halal Mutual Investment Company in the mid 1990s may substantiate the view that the British Muslim community is not sufficiently financially informed to consume Islamic financial services (Dar, 2005).

Researchers have identified service quality and customer satisfaction, as a means to achieve profitability and survival. Well known studies and the first systematic attempts to measure service quality were made by Parasuraman et al. (1985, 1988, 1990, 1991, 1993, and 1994). Through qualitative researches, they designed a two-scale instrument called SERVQUAL, constructed of a set of five dimensions, which were consistently ranked by customers to be most important for service quality. SERVQUAL was mainly, used in North America, Australia, Hong Kong and Singapore and has been applied to a wide range of service industries, including financial services.

However, researchers, such as Coronin and Taylor (1992), Buttle (1996), Angur et al. (1999), Othman and Owen (2003), Carrillat et al. (2007) suggest that service quality evaluation cannot be applied universally with-out considering different contexts. Malhotra

et al. (2005) study suggests that other dimensions, such as whether a customer lives in a developed country (such as the USA) or developing country (such as India and the Philippines), can influence the SERVQUAL dimensions.

Service quality is viewed as an important issue in the banking industry (Stafford 1994) and in recent years, there has been a proliferation in the number of studies seeking to develop a service quality instrument for Islamic banks. The majority have used SERVQUAL as a starting point, amending and/or adding items to reflect locations and organisations' differences (e.g. Othman and Owen, 2003, Jabnoun and Khalifa, 2005).

The CARTER model was the first to be developed (Othman, 2003) for the Islamic banking industry. CARTER has six dimensions constructed of SERVQUAL and a new dimension called compliance with Islamic law. Othman (2003) called for researchers to examine the model's validity and to measure overall service quality levels in the Islamic banking industry in different locations.

Shafie et al. (2004) and Ciptono and Soviyanti (2007) adopted the CARTER model in their studies on Islamic banks in other Muslim countries with different customer backgrounds and behaviour. Those studies identified Sharia compliance to be the most important dimension for Muslim people.

This research wants to know how Muslims based in the west, and specifically, in England, evaluate the service quality of England based Islamic banks. Will English Muslims use or have different dimensions? Should there be a different model or instrument for English Islamic banks? Finally, is the English Muslim community satisfied with Islamic financial

services in England? This research focuses on the fundamental issues like awareness, satisfaction, importance, expectation and perception of Islamic financial services in the British Muslim community who live in England with a view to their faith and the dimensions that may affect their mindset as a Muslim living and working in western society.

The researcher believes that this research will be of interest to both academics and practitioners. Academics who are, firstly, researchers interested in designing service quality models according to different contexts, and environments; secondly, researchers interested in finding out the determinants of England's service quality model gap. It should also be of interest to Islamic financial service providers, such as Islamic bank managers, who want to be aware of their customer needs to improve their services; secondly, Government departments, such as the Financial Service Authority (FSA), and other policymaking authorities concerned in the quality of financial services.

## **1.2 Aims of research**

This research has two main aims, which are;

- To develop a service quality measurement scale suitable for English Islamic banks from the perspective of the English Muslim community.
- To use the proposed model to measure the satisfaction of English Islamic banks' customers with the quality of service that English Islamic banks provide.

## **1.3 Objectives of the research**

This research has eight objectives, which were carried out in sequence as follows:

1. To review the theoretical bases for Islamic finance, review the impact of Islamic theory on the financial industry, and identify the differences between Islamic and non-Islamic banks.
2. To develop the theoretical bases for service quality dimensions and items.
3. To explore the relevance of a set of service quality items generated from both the literature and the results of a set of focus group meetings, and identify new items that will be suitable to Islamic financial services/Islamic banks in England.
4. To rank the proposed service quality dimensions and items, identified from literature and the empirical study according to their importance for the Muslim community in England, using exploratory factor analysis.
5. To assess overall customer satisfaction towards the service quality of Islamic banks in the UK by measuring the gap between customers' expectations and perceptions of service quality provided.
6. To explore the role of demographic variables for English Muslims (gender, age, marital status, education, income, and occupation and ethnic origin) in influencing customers' choice of bank (Islamic bank or non-Islamic bank). And to explore the differences between two groups of English Muslims (Islamic bank account holders and non-Islamic banks account holders) with respect to their demographic variables.
7. To explore the differences between two groups of English Muslims (Islamic bank account holders and non-Islamic banks account holders) with respect to the proposed service quality items and dimensions (by measuring the gap between importance and expectation).

8. To assess customer awareness of Islamic financial services and Islamic banks available in the UK market, as well as their understanding of the Islamic financial system.

#### **1.4 Why studying the English Islamic financial market?**

Britain has the most active and developed Islamic banking sector in the European Union and most recently Britain's government plans to become the first western government(country) to issue Islamic bonds (IFIS, 2007). This is because of the role of London as an international financial centre. With three million Muslims, permanently resident in the UK and fifteen million Muslims live in west Europe (Hanlon, 2004). Several banks already authorized in England are offering Sharia compliant financial products. Since the 1980s, the United Kingdom has experienced Islamic banking through several financial institutions (Cunningham, 1996): Al Baraka International Bank, United Bank of Kuwait, Al Ahli United Bank, Alburaq (subsidiary Arab Banking Corporation), HSBC -Amanah Islamic finance, Lloyds TSB. There were followed by UK-based Islamic banks: Islamic Bank of Britain, Europe Islamic Investment Bank and Qatar Islamic Bank (QIB's European subsidiary), European Finance House (EFH), which received authorisation from the FSA to operate as an Islamic investment bank in the United Kingdom (IFIS, 2008). They are all located in England and mainly in London (see table 2.2).

There are some issues that need to be addressed using the most contemporary techniques to strengthen the Islamic financial system, so it can stand alongside the well-established conventional system and claim to have become part of the mainstream financial system.

### **1.5 Why Service quality?**

Service quality has received extensive attention in the literature, with studies being carried out in a wide variety of industries such as the hospitality industry and tourism, hospitals and banking (Berndt, 2009). Limited published research has been conducted into service quality in the Islamic banking industry. This means that the issue of service quality in the Islamic banking industry is a largely unknown factor, making this study exploratory in nature.

Service quality has been defined as the degree and direction between customer service expectations and perceptions (Newman, 2001). Perceived service quality is defined as how well a service satisfies the expectations of customers (Berndt, 2009). Service quality has an impact on profitability and costs (Buttle, 1996), as service quality influences customer satisfaction, it impacts customer retention, reduces costs and increases profitability (Zeithaml et al., 2006).

Different ways have been suggested to measure service quality, the most well known being that of the SERVQUAL instrument (Parasuraman et al., 1988). This instrument is based on the differences between the perceptions and expectations of customers regarding the dimensions of service quality. The difference between the perceptions and expectations indicates the existence of a gap. The instrument was developed with 22 statements reflecting each of the dimensions identified, but this has been adapted depending on the industry in which the research has been conducted.

## 1.6 Research logic

From the above introduction, two main points can be made:

First, to survive and achieve their mission, Islamic banks in England need to be able to compete with non-Islamic banks and attract their customers (this research focuses on Muslim customers only) by providing the service that English Muslims need. In order to satisfy customers, service quality has to be measured and improved. Second, SERVQUAL is a well-known measurement scale that has been used to measure service quality worldwide. However, previous studies have recognised that different organisational backgrounds may influence SERVQUAL items and dimensions.

Therefore, this research aims, to modify SERVQUAL according to English Muslims' needs and to measure service quality in English Islamic banks. It is hoped that Islamic banks' managers will be able to use the modified service quality scale to assess and improve their services and satisfy their customers. To achieve this aim, mixed methods have been used throughout the theoretical and empirical study, which resulted in the following:

1-A set of service quality items and dimensions generated /identified from the literature including SERVQUAL, CARTER, and the studies that used either SERVQUAL or CARTER in eastern countries and the Islamic banking industry (i.e. the classic service quality scale and its modified versions).

2-New items generated /identified from eight discussion groups with 36 Muslims living in England.

3-The identified additional items (the attributes) derived from the discussion groups were combined with the items from the literature to produce a final set of 34 proposed items, which were used in the questionnaire surveys.



4-Using exploratory factor analysis (Principle Component) the questionnaire's 34 proposed items were analysed, resulting in the proposed English Islamic service quality scale named EIBSQ.

5-The proposed EIBSQ was applied to English Islamic banks, using the gap approach between expectations and perceptions of customers who held Islamic bank account.

6-Customer satisfaction was measured by comparing the importance of each item that showed a gap between expectations and perceptions.

### **1.7 Research method**

Bryman and Bell (2003) state that qualitative research can be used to guide quantitative research by either providing hypotheses or aiding measurement. In this research, a qualitative stage (focus groups discussions) facilitated the design and structure of the survey questions and the questionnaire used in the questionnaire stage of the research. So the questionnaire was constructed following discussions with focus groups of Muslims who live in England and this helped the researcher to develop an understanding of possible new items that may have impact on the service quality of English Islamic banks and on customer satisfaction.

A further benefit gained from the mixed method research approach employed in this study is that the combination of qualitative measures, such as observations of the banks' working environments, with the questionnaire results to illustrate the quantitative findings, provided more understanding of Islamic banks' work environment.

## **1.8 Data collection**

As indicated above, the data for the research were collected in two stages:

Stage 1: Eight focus group discussions were conducted with 36 Muslims. This helped the researcher to explore the relevance of a set of service quality items generated from the literature, to develop an understanding of possible new service quality items, generate new items and validate the descriptors and check the definitions of the words used. All groups were asked open questions to stimulate discussion - for example, what they liked/disliked about their bank, how they judge good/poor service? Group discussions were conducted in English. Of the 36 participants, the majority (22) were male and most (27) were aged between 20 and 40 years old. In addition, approximately two-thirds of respondents (21) had lived in England more than 10 years. Analysis of the groups identified additional items (e.g. confidence in these bank's Sharia advisors, bank runs according Islamic law, female staff wear hijab, and bank has Islamic appearance) which were combined with the items from the literature to produce a final set of 34 items.

Stage 2: Following a pilot study, questionnaires were distributed by hand to Muslims in 10 cities with significant Muslim populations (Dar 2005, and Leach 2003). Questionnaires were distributed during Ramadan at locations where Muslims are known to congregate, e.g. Mosques, Muslim community centres and Islamic banks. To avoid bias, questionnaires were also distributed at supermarkets, shops, restaurants, cafes, buses, parks etc. The survey was divided into four sections (for non-Islamic bank account holder) and five sections (for Islamic bank account holder). These were customer banking type and products in use, customer importance, customer expectation, customer perception, and finally customer demographic backgrounds. Three hundred usable responses were obtained, about 86 % of the distributed 350 questionnaires. Of the 300

respondents, 94 were Islamic bank account holders, 196 were non-Islamic bank account holders and 10 had no bank account. All respondents were asked to rate each of the 34 items according to importance and expectations on a 5-point Likert scale, while only the Islamic bank account holders were asked to rank the 34 items according to perceptions on a 5-point Likert scale.

The sample consisted of more males (58%) than females (42%) with just over half (52%) married. Age wise, 49% were aged up to 30 years old, 32 % of the sample were between 31 and 40, and 19% were aged between 41 and 51 years old. In terms of income, just under one third earned less than £10,000 p.a., just over one third earned between £10,001 and £20,000 and over one third earned over £20,000. The majority of respondents were British (64%).

### **1.9 Research importance**

To the researcher's knowledge, very few previous studies have developed measurement scales covering quality in the Islamic banking industry. In particular, the researcher did not find any research which addresses the quality of service and customer satisfaction in English Islamic banks.

Because of the lack of research in the Islamic banking industry in general and its service quality in particular, it is important to develop service quality scales considering differences that English Muslim community have.

This research determined the most important items and dimensions from the perspective of English Muslims' needs and importance. Thus, this research is important, firstly, to

Islamic bank managers, because managers should be aware of the most important items and dimensions to improve the ways of providing good service to their customers, and achieving customers satisfaction. This is will enable Islamic banks to work more effectively in response to their customers' needs. Secondly, this study is important to academics and researchers in service quality, as it provides further empirical evidence on the determinants of service quality.

### **1.10 Research limitation**

Islamic banks in England have a unique environment; this makes the generalisation of the study results to other Islamic banks in different location settings problematical without changing the model to make it fit the other location. This research's measurement scale (EIBSQ) might benefit other parts of UK or Western Islamic banks or European Islamic banks. However, different customers, economic environments and regulations should be taken in consideration.

### **1.11 Research layout**

The study is arranged in eight chapters. Chapter one briefly provides an introduction to the research, it discusses the main aims and objectives of the research, the research logic, method, and importance, and the structure of the thesis. The purpose of this chapter is to set out the main research questions and to justify the research objectives.

Chapter two reviews the existing related literature on Islamic banking. The purpose of the chapter is to give as much information as possible regarding the Islamic banking system as the setting of the research. It provides an understanding of Islamic banking philosophy, principles (such as the prohibition of interest, reasons for the prohibition). Also, it reviews

the literature and history of Islamic banking, Islamic banking definition, differences between Islamic banks and non-Islamic banks, and Islamic banks' alternative technique to interest. Then, it provides a summary of Islamic banking in England, Europe and their future.

Chapter three is the service quality literature review. The purpose of the literature review is to identify what has already been found in the area of service quality dimensions and items. This chapter in particular discusses previous research findings on service quality models, dimensions, and their components in both the non-Islamic banking industry and the Islamic banking industry. It reviews the literature on service quality, SERVQUAL, its criticisms, studies in service quality, and SERVQUAL modified studies such as CARTER. It discusses the quality concept in Islam, why Islamic banks need to adopt service quality, and what service items Islamic banks can have.

The research methodology employed to achieve the objectives of the research is discussed in chapter four. It starts by describing the methods that have been used and how data were collected. The chapter also discusses the research hypotheses, the population and sample of the research. The research questionnaire and non- parametric tests that were used to test the research hypotheses are also discussed.

Chapter five presents and discusses the results of the focus group discussions. It starts with a definition of a focus group and a descriptive of the participants. This is followed by tables the describing the attributes of the focus groups' Islamic items and the results of the discussion in themes.

The sample description is discussed in chapter six. In addition, the findings of the data analysis are discussed, including some important results, such as the demographic differences between the Islamic bank account holders and the non-Islamic bank account holders, and the reasons for holding Islamic and non-Islamic bank accounts.

In Chapter seven, the factor analysis findings and the Islamic banks' service quality model/ instrument/ measurement scale (EIBSQ) results are discussed. In the second part of this chapter, the proposed EIBSQ model is used to measure Islamic bank account holders' satisfaction and the differences between Islamic bank account holders and non-Islamic bank account holders are discussed.

Finally, Chapter eight is the summary and conclusion. It discusses the implications of the research and the contribution to knowledge. The last two sections of the chapter discuss the recommendations for further research and recommendations to English Islamic banks' managers.

## **Chapter Two**

### **Islamic banking industry**

#### **2.1 Introduction**

The motivation for the establishment of Islamic banks and institutions comes from a desire of various Muslim communities to practise their social, economic, and in particular, financial activities according to Sharia. Justice, equity fairness and morality are values, which underpin both the entire Islamic way of life and the body of Islamic jurisprudence generally referred to as Sharia (Leach, 2004). Sharia gives guidance as to what is, and what is not acceptable behaviour in all areas of a Muslim's life; this includes economic and financial life.

The primary regulation of all Islamic banks and Islamic financial institutions arises from the need for their compliance with Sharia (Islamic law, Islamic jurisprudence), which strictly forbids interest, or what is called in Arabic, Riba. Thus, Islamic banks and financial institutions use a number of means of financing to derive returns for their investors, not depositors, based on transactions associated in one form or another with tangible assets (each transaction is backed up with an asset). The returns must not in any way be guaranteed if they are to be in full concordance with the tenets of Sharia.

This chapter reviews the existing related literature; this is to give as much background as possible regarding the Islamic banking system as the setting of the research. It provides an understanding of Islamic banking philosophy and principles (such as the prohibition of making money from money, definition and prohibition of interest, reasons for the prohibition, undertaking business and trade activities on the basis of fair and legitimate

profits, payment of the poor, and monopoly is not permitted). This chapter also reviews the literature and history of Islamic banking, gives a definition of Islamic banking, and explains Islamic banking modes as alternative techniques to interest-based banking. Then, it provides a summary about Islamic banking globally, in Europe, in the UK and their future.

## **2.2 Philosophy of an Islamic economy**

The fundamental principle underlying the economic philosophy of Islam is the purpose of Man's creation, and the unique relationship between Man and the creator God (Allah), Man and this Universe, and Man and other Men (Haniffa et al., 2004).

The Man-God relationship is characterised by Tawheed, and means there is one and only one God. The Oneness of the Creator makes Man's purpose and mission in the Universe clear and not subject to contradicting interpretations. This mission and purpose was explicitly revealed in the words of the Holy Quran. When God ordained equality and denounced injustice, nobody questions these values. Once God says do not deal with Riba (interest), then nobody argues, it is matter of obedience.

The creator invites Man to explore and utilise all the natural resources of the Universe. There are conditions attached to this invitation. They stem from the understanding that Man does not own these resources for they belong to God. Man's use is subject to understanding that he must recognise the rights of all other creatures in this universe, and his use of all resources has to be in accordance with specific stipulations, which uphold human equality and abhor pillage and plunder. This also explains the Man and this Universe relationship, by recognising others' rights, Man



should not gain his profit at others' expense, which explains Man and Universe relationship. In conclusion, Islamic theory has been built on that the premise that the creator is the only owner of wealth and people are trustees. This means that Man is not free but responsible and accountable to God. Therefore, it is an obligation not to benefit at the expense of others when doing business.

The concept of community is described in Sharia, as the prophet said 'the well settled and consolidated building, each part of which buttresses the other' and 'a body which reacts in total with discomfort and fever whenever a part of it is hurt' (Al-Bukhari), this leads to the conclusion that economic goals must be pursued for public benefit. Individuals can work for their benefit as long as their wealth is generated through complying with Sharia. Sharia requires Muslims to provide excellent lawful products and service to society, earn reasonable profits, attain the objectives of the business venture, be just with employees by paying fair wages and taking care of their welfare, be lenient with debtors, ensure that business activities are sustainable to Islamic roles and recognise work as a form of worship. This explains or shows the relationship between men and other men (Haniffa et al., 2004).

The role of Sharia supervision is fundamental and often misunderstood and perceived as a hindrance to growth (New Horizon, 2005). In effect, the principles are very clear and indisputable. However, if and when a certain subject matter is not explicitly mentioned in the Holy Quran or in the teachings of the prophet, deliberations and interpretations become admissible and a legitimate source of Islamic Jurisprudence.

This is where the role of Sharia Scholars comes into play. Their opinion is primarily sought in fine areas of intricate financial contracts and monetary instruments. There are a number of activities deemed Haram (forbidden) and most stem from injunctions contained in the Holy Quran and Hadeith (prophet teaching) against Riba (usury or interest rate). An interest free loan is one of the principles of Sharia.

Unethical investment is not permitted under Sharia, such as Maisir (gambling), Gharar (deception), Bay'al-mudtarr (exploitation of need), Najsh (raising prices by manipulating false bids) and Ikrah (e.g. imposing a contract, or a condition therein, on an unwilling party) (Vogel and Hayes, 1998; Abdel Karim and Archer 2002). Everything Sharia does not forbid is Halal (lawful). Sharia is a legal system that purports to govern every aspect of individual and social life and is derived directly from (Haniffa et al., 2004):

- The Holy Quran (the word of Allah/ Muslim Holy book); and
- Hadith (saying, approvals and action of the prophet Mohammed during his lifetime).
- Ijma, a consensus of Muslim scholars, is applied only in the absence of an explicit answer to the issue in question.
- Qiyas consists of principles mentioned in those sources but which have similar characteristics to those that existed in the past.

Once any decision is made either Ijma or Qiyas, it becomes mandatory and cannot be overruled by further generations.

Furthermore, Islamic financial institutions must have a Sharia supervisory board, to ensure the ongoing compliance and all new products and services must be approved by

them before being introduced. The Sharia supervisory board is appointed by the shareholders and its members are drawn from the ranks of respected, knowledgeable Islamic scholars who must be independent of a bank's main board of directors, although it may operate from within the bank it is advising. To ensure credibility and satisfaction of their customers' ethical expectations many Islamic institutions maintain their Sharia supervisory board in-house. Peoples' confidence in Sharia scholars is the bedrock of Islamic banking. If Sharia scholars lose the confidence of the people, Islamic banking will have a sad end (New Horizon, 2005)

### **2.3 The principles of Islamic Economics**

The principles of Islamic Economics and concepts were spelled out in the Holy Quran and in the teaching of Prophet Muhammad some 1400 years ago. Islamic financial institutions are established according to the principles of Islamic Economics and Islamic basic foundations, which are as follows:

#### **2.3.1 Making money from money is not permitted**

The nature of money in Islam is different from the meaning in Western Economic, money from Islamic point of view has no intrinsic value and Sharia treats money differently from commodities; firstly, money (of the same denomination) is not held to be the subject matter of trade, like other commodities. Its use has been restricted to its basic purpose.

Secondly, if for exceptional reasons, money has to be exchanged for money or it is borrowed, the payment on both sides must be equal, so that it is not used for the purpose it is not meant for. In general, Islam does not view money as a commodity that can be bought and sold at a profit. Money cannot deliver money.

Therefore, money is treated as “potential” capital. It becomes actual capital only when it joins hands with other resources to undertake a productive activity. Islam recognises the time value of money, but only when it acts as capital, not when it is “potential” capital.

*“Allah has permitted trade and has forbidden interest” (The Holy Quran, 2:275)*

There is a difference between financial life and social life in Sharia. The differences are very clear, if money will be given for financial reasons or for social reasons.

*“Who is it that would loan Allah a goodly loan so He may multiply it for him many times over? And it is Allah who withholds and grants abundance, and to him you will be returned” (The Holy Quran, 2:245)*

### **2.3.2 Interest is prohibited in all forms of transactions**

In this section, the definition of interest and reasons behind its prohibition will be reviewed.

#### **2.3.2.1 Definition of interest**

The standard dictionary definition for interest is: “A charge made for a loan or credit facility” (First ethical group, 2005, 2007). In Islam, interest is “any excess paid or received on the principal” and the Arabic word for interest is Riba, which has been used in the Holy Quran on several occasions, literally meaning to increase. Sharia refers Riba to the premium that must be paid by the borrower to the lender along with principal amount as a condition for the loan or for an extension in its maturity. Interest and usury both are taken as synonymous for the Arabic word riba.

The ban on interest by the Creator is absolute. It has been made clear that entering into transactions that involve Riba (interest) is not permissible. The Holy Quran declared war from Allah and his Messenger directed towards those who refuse to give up interest.

*“O you who have believed, Fear Allah (God) and give up what remains (due to you) of interest, if you should be believers” (The Holy Quran, 2:278)*

*“And if you do not, then be informed of a war (against you) from Allah and his Messenger” (The Holy Quran, 2:279)*

### **2.3.2.2 Reasons for prohibiting interest**

Interest means the lender is being guaranteed money without putting in any effort. Islam dislikes this. It leads to dependence on interest and therefore discourages people from working (Wilson, 1985). Allowing interest discourages people from helping each other. For instance, lending money to another without asking for anything in return is a way of helping others. However, there is no motivation for doing this if the lender can just as easily get interest on the loan (Dar and Presley, 1999).

Taking interest means taking the property of another person without giving anything in return which according to Sharia is prohibited. Taking interest involves oppression and exploitation, as those without money are forced into working harder to earn enough money to pay interest as well as supporting themselves.

Once interest is allowed, and advancing loans become a form of profitable trade, the lenders will prefer to lend to those who have the greatest collateral because they represent the lowest risk of default. Those who have the greatest collateral are not always those who have best business plans, therefore the economic growth will be prevented by failing to

promote the best business ideas, that if supported would result in higher economic growth. Moreover, the whole economy turns into a debt directed economy that puts the whole mankind under the slavery of debt.

### **2.3.3 Profit and loss sharing**

Islam encourages Muslims to invest their money and to become partners in business instead of becoming creditors. If the lender seeks any return on his capital, then he must invest his money by purchasing equity and partake in the losses, risks and rewards of business. Finance in Islam is based on profit and loss instead of a fixed rate of interest (Dar and Presley, 2000). Broadly, profit and loss sharing is a contractual arrangement between two or more transacting parties, which allows them to pool their resources to invest in a project to share in profit and loss (PLS).

Instead of a fixed return tied up with their face value, they must carry a pro-rata profit actually earned by the money invested. The subscribers must enter into the fund with a clear understanding that the return on their subscription is tied up with the actual profit earned or loss suffered by the money invested. If it is huge profits, the return on their subscription will increase to that proportion. However, in case they suffers loss, then will have to share it also, unless the loss is caused by mismanagement, in which case the management, and not the money invested, will be liable to compensate.

The investment has to be in an acceptable business to Sharia (Islamic law). This means not only the channels of investment but also the terms agreed with them must conform to the Islamic principles.

### 2.3.4 Fair profits

Islamic business must be legitimate, just, fair, and achieve reasonable profit. Excessive profit is considered as tantamount to exploitation. Economic or business activity in Islam requires Muslims to earn a living through lawful (halal), to honour commercial contracts, to keep proper accounts, to avoid extravagance, to be moderate in consumption, to fulfil obligations to society by paying Zakat (due to poor people) and other taxes required by the state, as well as giving charity:

*“Allah destroys interest and gives increase for charities” (The Holy Quran, 2:276)*

Abdel Karim and Archer (2002) reported that to demonstrate transparency in business activities, Muslims are required to provide relevant and reliable information regarding all lawful and unlawful activities undertaken, the reasons for undertaking the latter activities and how they are dealt with, policies related to financing, investment and employees, relationship with communities, debtors and creditors, the use of resources and protection of the environment. The Holy Quran states:

*“And do not consume unjustly or send it (in bribery) to the rulers in order that (they might aid) you (to) consume a portion of wealth of the people in sin, while you know (it is unlawful)” (The Holy Quran, 2:188)*

Although in Sharia Muslims must avoid fraud, dishonesty, collusion, gambling, and all forms of speculative activities in business transactions. Thus, economic justice could be achieved based on equality and fairness.

### **2.3.5 Investing in Halal business**

Dealing in profit and loss sharing investment can be acceptable by Sharia if used only in halal business, it means the main business of the company is not permissible to acquire the shares of the companies providing financial service on interest, like interest based banks, insurance companies, or companies involved in some other business not approved by Sharia, such as companies manufacturing, selling or offering liquors, pork, haram meat, or involved in gambling, night club activities, and unethical trade. To clear the income from haram (unlawful) returns, some Sharia Scholars were advised to give it as a charity.

### **2.4 Islamic banking definition**

As mentioned above, Islamic banks are derived from the Islamic system and are structured within the Islamic legal framework. Like non-Islamic banks, an Islamic bank is an intermediary and trustee of other people's money except that it shares profit and loss with its depositors. Islamic banking is based on the direct contribution and involvement in investment and financing and sharing risk in order to justify rewards.

Non-Islamic banks and Islamic banks are working to maximize profitability, liquidity and minimize risk. Resources are obtained from shareholders and the owners of savings.

However, in Islamic banks, savings are obtained based on sharing rather than interest based lending. Depositors are in a special category of shareholders, they do not share the private equity of the bank such as its building and equipment, but they share as owners of funds in the profit sharing investment operations of the bank.

Deposit agreements in Islamic banks are contracts to provide funds that will be managed by the bank, on behalf of the owner, as an appointed agent. They are more like agency or



deputation contracts in which depositors authorize the bank to invest their funds and share the return with them. In the case of losses, both lose their investment. Additionally, Islamic banks have deposits in current accounts, which are guaranteed by the bank and they are based on an interest-free lending contract. Therefore, Islamic banks usually have investment deposits that share in the return of investment operations based on the distribution accord to a contracted ratio, offering a higher ratio to long-term investment deposits. Although, Islamic banks have demand deposits, which are guaranteed and represent liabilities, they do not earn any return.

## **2.5 Background of Islamic banking**

The first Islamic bank was established in 1963, in Egypt, but it was to be another 10 years, in the aftermath of the substantial rise in oil prices in 1973, before the Islamic banking sector was to make serious advances. Since then, Islamic banking has seen a major growth especially in the last decade of the twentieth century and the early years of the twenty-first century (Dew, 2003).

According to Arab history, before Islam, Arabs deposited their money with trustful people in Macca (a city in Saudi Arabia). The first financial organisation in Islam was established by Al Zubir bin Al awam in the fifth century (Paracha, 2004). The Al Zubir organisation accepted deposits from clients as loans and returned the whole amount of the deposit. In addition to the organisation headquarter in Al Madina (also in Saudi Arabia), three branches were opened in Alexandria in Egypt, Alkufah and Albisra in Iraq. These provided services, such as money transfers, commodities and money orders in and between these locations (Othman, 2003). The Western banking system, which was based on interest, came after the occupation of the Arab and Muslim countries by the West. As

Arab and Muslim countries became independent and the oil price increased, Islamic banking started to take off (Abdel Karim and Archer, 2002). Table 2-1 shows a summary of the establishment of Islamic banks worldwide.

Table 2-1 Islamic banks' establishment

<b>Bank name</b>	<b>Year</b>	<b>Country</b>
Islamic Bank of Egypt	1963	Egypt
Naser Social Bank	1971	Egypt
Islamic Bank of Dubai	1975	Dubai/ UAE
Kuwait Finance House	1977	Kuwait
Faisal Islamic Bank	1977	Egypt
Faisal Islamic Bank	1978	Sudan
Islamic Banking system	1979	Iran
Islamic Banking system	1980	Pakistan
Jordan Islamic Bank	1978	Jordan
Islamic Bank of Bahrain	1981	Bahrain
Qatar Islamic Bank	1983	Qatar
Islamic Bank Malaysia	1983	Malaysia
Islamic Bank Bangladesh	1983	Bangladesh
Philippine Amana Bank	1973	Philippine
Luxemburg Islamic Finance House	1983	Denmark
Islamic Bank International of Denmark	1983	Copenhagen/Denmark
Islamic Investment Company	1983	Melbourne/Australia
Al Rajhi Banking Investment Corporation	1984	Saudi Arabia/London/Geneva/Bangkok
Al Baraka Group of Islamic Bank	1985	London/Tunisia/Turkey

Author own summery

In 1963, Islamic saving banks were established in Egypt, and then the Egyptian government insisted that the same regulation of commercial banks should apply to them.

In 1968, the Savings Bank of Egypt was closed and Naser Social Bank was established instead in 1971 as a general Islamic institute (Cunningham, 1996). During the seventies, many Islamic banks were established in different countries. By 1986 over forty Islamic financial companies had been set up all over the world

The real start for Islamic banks was in 1974 as a result of the oil price rises. Since then Islamic banks have spread through Arabian countries, Pakistan, Iran and South East Asia.

The Dubai Islamic Bank was established in 1975, the Kuwait Finance House in 1977, also the Faisal Islamic Bank of Egypt and Sudan was established by Prince Mohammed Bin Faisal of Saudi Arabia in 1977 and 1978 respectively (Chapra, 2000; Cunningham, 1996).

Following the revolution in 1979, the Iranian authorities brought the Islamic banking system's operations into market and then Pakistan in 1980 started Islamisation of the banking system. In addition, the Jordan Islamic banks were established in 1978. The Bahrain Islamic Bank was founded in 1981 and Qatar Islamic Bank in 1983. Furthermore, the first Islamic financial institutions in Malaysia and Bangladesh were established in 1983. In 1973 the Philippine Amana bank was started as a response by the Philippine Government to the Muslim community needs; however it was not strictly an Islamic bank (Cunningham, 1996).

In 1983, Islamic Finance House started in Luxembourg and was the first to be attempted in the Western world (Boulif, 2004). Also Islamic Bank International of Denmark in Copenhagen and the Islamic Investment Company were set up in Melbourne, Australia. In Saudi Arabia, Sharia was applied to all banking and interest was prohibited, but the mudaraba contract (one of Islamic banks' operations) was not used. The commercial banks levied fixed account and service charges, which made many in Saudi Arabia disappointed with this interpretation of the Islamic law (Sharia). Thus, Saudi Arabian businessmen took more steps to ensure Islamic financing instruments were used positively elsewhere in the Muslim world. In 1984, the Al Rajhi Banking and Investment Corporation sought an Islamic banking licence (Abdel Karim and Archer, 2002). A year after the group had become the world's largest Islamic bank with over 30 branches in Saudi Arabia and branches in London, Geneva and Bangkok.

In 1985, a Saudi Arabian businessman founded the Al Baraka group of Islamic banks which owns an investment company in London and banks in Tunisia and Turkey. The early success of Al Baraka International Bank Ltd in London in 1992 was remarkable in the context of how an Islamic institution can compete in a purely commercial banking system. Abdel Karim and Archer (2002) argued that the presence of Al Baraka group in London was considered to be a pioneering experiment, which could have allowed the Islamic banking movement to develop within the international banking system. After Al Baraka had ceased to operate as a bank in London, Islamic banking institutions could only operate as investment companies.

Naser et al. (1999) argued that the popularity of an Islamic banking system is not limited to the Islamic banks only. Large international commercial banks are interested in Islamic banking system as some European banks offer Islamic financial products, called Islamic windows such as HSBC Investment bank, Swiss Banking Corporations, The Halal Mutual Investment Company, and Albaraka International Ltd (see table 2.1 and table 2.2).

In 1995, Wilson reported that Islamic financial instruments are increasingly accepted internationally, even in non-Islamic countries, and the basic principles understood. Furthermore, Othman (2003) and the Institute of Islamic Banking and Insurance IIBI (2002) reported that the penetration rates of Islamic banking services in Muslim countries range from 5% in Malaysia to 12% in Saudi Arabia to 20% in Kuwait, and to 100% in Iran and Sudan. Also, the Islamic banking industry will be responsible for managing at least 40-50 % of the total savings of Muslims worldwide in 8 to 10 years.

The literature has discussed Islamic banking on a wide range of issues relating to the Islamic economic system as a whole, and has addressed problems that can be faced in any Islamic banking system. Metawa and Almosawi (1998), for instance, studied the banking behaviour of Islamic bank customers as well as their awareness, usage, perceived importance and degree of satisfaction with current products and services provided by two Islamic banks in Bahrain. Their findings were that the majority of Islamic banks' customers are educated, the awareness of the products and services between customers is high, the investment accounts of these banks represent the most satisfying product, and the customers' decisions were based on religion. Naser et al. (1999) investigated the degree of customer satisfaction of a sample of an Islamic bank's customers. Furthermore, they investigated the reasons for banking with Islamic as well as non-Islamic banks. There were similarities between the findings of both surveys on the level of customer satisfaction. In addition, they highlighted the fact that many customers bank with both Islamic and non-Islamic banks for several reasons, but the main reason was to make use of various products and services offered by both banking systems. Marketing of Islamic banking services has been reviewed, with particular reference to Faisal Bank of Sudan compared to western banks. The focus was on the banks' attitudes toward the marketing concept, the organisation and structure of their marketing efforts, the marketing functions that they perform and the perceived outcome of adoption of the marketing concept. Both types of banks had favourable attitudes toward the marketing concept and there were significant differences in emphasis and orientation.

In addition, Gerrard and Cunningham (1997) investigated the level of awareness that Singaporeans have in relation to the culture of Islamic banking, the attitude of Muslims and non-Muslims towards Islamic banking. Their findings supported the idea that

Muslims were aware of fundamental Islamic terms but not Islamic banking ones. In addition, some findings supported the idea that Muslims, in contrast to non-Muslims, have a different attitude towards Islamic banking. Finally, the selection process was different between the two groups. The conclusion was that with the establishment of Islamic banking the people's awareness would increase, attitudes should change, and the selection criteria would shift among Muslims in particular.

Othman (2003) argued that no organisation, including Islamic banks, can be seen in isolation of its external environment. He discussed Muslims' attitude towards Islamic banks, in the light of some problems facing the Kuwait Finance House, which is one of oldest Islamic banks. Additionally, he has made recommendation to help management plan for a better future of the organisation.

## **2.6 Islamic banking globally**

In the past 30 years, Islamic finance has grown to become a major global industry and Islamic banks have managed to exist in a non-Islamic environment, mobilise substantial amounts of deposits and contribute greatly to the finance of many economic sectors and projects of the countries they are working in.

It is important to mention that in 2007 total assets under Sharia compliant management were estimated to exceed USD 350-400 billion by the end of 2006 with financial investments above USD 500 billion. Deposits in Islamic banks are estimated to be around USD 272 billion worldwide and the average annual growth rate of the Islamic banking industry ranged at 15-20% over the past decade. More than 300 Islamic financial

institutions have been established over 51 countries in both Muslim and international financial markets (IFIS, 2007).

The attraction of Islamic finance is growing in the non-Islamic as well as the Islamic world, and the global credit crunch has helped to stress its advantages in terms of lowering risk and creating alternative financing structures.

*“I am aware of several UK companies, which would otherwise borrow conventionally, who are talking to Islamic banks regarding funding. The credit crunch has had much less impact on Islamic banks’ ability to lend compared with conventional banks.”*

*(Amin, 2008, 2009 UK head of Islamic finance at PricewaterhouseCoopers)*

In 1989, it was reported that analysis of the performance of some of the oldest Islamic banks and the performance of non-Islamic banks in the same countries showed that Islamic banking was more appropriate and more relevant to the economic growth and development of the Muslim world. The report calculated that the Islamic finance market grew by around 15 per cent for each of the last three years, which can be attributed mainly to the increased wealth of Islamic countries due to the increase of oil prices. The report estimated Sharia-compliant finance to be worth \$700 billion worldwide, with the largest increase in value coming from the Sukuk (Islamic bonds) market. Within this market, the report reckons that Sukuk held in Asian currencies increased by around half last year. Overall, the report expects the Sukuk market to grow by 30 to 35 per cent this year, mostly in GCC countries, North Africa and Asia Pacific (New Horizon, 2008).

*“I believe that the Islamic banking industry is growing at 35 per cent a year, with assets of financial institutions reaching \$600 billion in 2007 and the number of Islamic banks in*

*2007 to have been 470, up from less than 300 in 2005. However, a highly encouraging message was tempered by the possibility that the Islamic banking industry might briefly become a victim of its own success—because it has grown so quickly, the market place is low on employees who have been trained in Sharia compliant banking systems. It believes that of the 300,000 employees in the industry, 85 per cent lack knowledge of Islamic banking because they have studied conventional banking systems. It has been urged that more should be spent on investment in training and education for Sharia compliant finance” (Kamil, the chairman of the General Council for Islamic Banks and Financial Institutions (GCIBFI) and a prominent Saudi businessman, 2008 at the annual conference of governors of Islamic development bank (IDB) in Saudi Arabia).*

## **2.7 Islamic banking in England**

Recent interest in Islamic banking and finance in the United Kingdom is consistent with the growing popularity of this type of banking in other countries. Also, 3 million Muslims are permanently residing in the UK (Hanlon, 2004), with estimated savings of £1 billion and approximately 25% have annual incomes of over £30,000 (Matthews et al., 2003) and more than half a million Muslims are visiting London annually spending £600 million (FSA, 2003). Britain has the most active and developed Islamic banking sector in the European Union and has been a gateway for Islamic finance (Brown, 2006).

The key developments in Islamic finance over the past year have been the growth in new institutions, especially Islamic investment banks, in the Gulf and also in London. The influence of this new financial form is spreading well beyond the Middle East and Muslim countries. Not only are there new institutions, such as European Finance House and Gatehouse Bank, setting up in London but HSBC Amanah, the Islamic subsidiary of



global giant HSBC, has jumped to 10th place in The Banker's list (Top 500 Islamic Financial Institutions), from 14th last year, after a significant 56.2% rise in Sharia-Compliant Assets (SCAs) (Timewell and Divanna, 2008).

Table 2-2 below shows the number of English Islamic Banks from 1997 up to date, type, categories, ownership and branches that exist. It is noticeable that most of English Islamic banks are based in England, which is the concern of this research.

Table 2-2: The growth of English Islamic Banks (Author's own analysis)

Name of the Bank/ Institution	Establishment Authorisation by UK FSA	Type	Categories	Ownership	Branches
AUBUK (Al Ahli United Bank-UK PLC) formally known as The United Bank of Kuwait PLC.	1997	Islamic Window	Islamic mortgage	Semi-autonomous operation from Baker street.	London
HSBC Amanah (Islamic subsidiary of global giant HSBC)	1998	Islamic Window	Islamic mortgage, Islamic account	Global network with branches in UAE,UK,US,& Malaysia.	Headquartered in Dubai, UK HSBC Branches.
UNB(United National Bank)	2001	Islamic Window	Islamic bank, Islamic mortgage	Individual shareholders, supported by two of major Pakistanis' Bank.	London, Birmingham, Manchester, Bradford, Glasgow & Ilford.
Alburaq (Arab Banking Corporation)	2003	Fully Islamic	Islamic mortgage	ABC International plc(The Arab Banking Corporation)	London
IBB(Islamic Bank of Britain)	2004	Fully Islamic	Islamic bank, Islamic investment, Islamic mortgage	started up by founder shareholders both in the UK and the Gulf, capital increased by Initial public offering in the UK and private placement in Middle East.	first branch in Edgware Road, headquarters in Birmingham, branches in London, Leicester & Manchester
Lloyds TSB- Islamic account	2004	Islamic Window	Islamic bank	Lloyds banking group	at any Lloyds TSB branch
EII (Europe Islamic Investment Bank)	2006	Fully Islamic	Islamic investment	Gulf based individuals and institutions, including a number of Islamic banks, as well as individuals and companies based in Europe.	Headquartered in London, reprensive office in Bahrain.
EFH (European Finance House)	2008	Fully Islamic	Islamic investment	QIB (Qater Islamic Bank)	London
Sharia Baby Bond(Child Trust Fund-CTF).	2008	Islamic Product	Sharia child trust	The Children Mutual-UK	Kent
Gate House Bank	2008	Fully Islamic	Islamic investment	KSCC (Kuwait Securities House), recently has joint Paris Europlace (Paris financial centre)	London

### **2.7.1 Financial services provided by English Islamic Banks**

The English Islamic Banks offer a variety of financial products, which can be listed as:

- Manzil Home Purchase or Amanah Home Finance or Home finance or IBB Home Purchase Plan; which all are Islamic Mortgages,
- Islamic current account, saving account / Amanah account, Islamic student account, personal finance,
- secured funding, Islamic finance(Islamic Corporate Account), private equity and Corporate advisory, Sharia'a advisory, asset management, project finance, trade finance, funds management Long-term savings and investment plans,
- Capital markets (including Sukuk issues and syndicated financings), real estate, Shari'a compliant investment products and services to individuals and companies.

### **2.8 Islamic banking methods**

Funds are used by three financing methods: sharing methods, sale methods and leasing methods. Contemporary Sharia scholars have developed three methods of Islamic financing for use in today's system (Suwwan, 2001). These methods have no interest component and involve different techniques, which are:

- Mudaarabah (finance for use in some productive activity).
- Musharakah (additional finance for another party's business).
- Musaqah/Muzarah (agriculture financing techniques).
- Ijaarah (leasing).
- Bay' Al-Salam (also applied in agriculture).
- Bay'Muraabaha bi Thaman Ajil (sale contract on deferred payment basis/ cost plus pricing with deferred payment/ hire purchase).

- Istisna(manufacturing)
- Qard Hasan (loan without interest).

The ideal target can only be achieved through the method of sharing: Mudarabah and Musharakah (Suwwan, 2001). The methods of Murabaha (cost plus pricing with deferred payment) and Ijarah (leasing with buy back) do not have the capacity to avoid interest-based financing. This is because Murabaha and Ijarah today have been designed to operate within the interest-based system. Usmani (2000) states;

*“..May help one to refrain from a glaring sin and save him from the evil fate of disobedience, which, in itself, is a cherished goal of a Muslim, though at an individual level. Moreover this may help society to advance gradually to ideal target of establishing a total Islamic order”*

However, at the time of the prophet many alternative ways existed for the purchase of assets such as property. One of the contracts used at the time was known as “Ijara”, which means a “lease “.Another way is “Musharaka”, often translated as “partnership”

## **2.9 Conclusion**

This chapter provides the context to the study in terms of Islamic theory of finance, Islamic banking definition, interest definition, and historical background to Islamic banking system. It also attempts to give background about global and Islamic banking growth. In addition, the chapter provides a review of the literature in Islamic banking marketing generally and Muslims attitude towards Islamic banks in Muslim countries. This research looks at Muslims’ needs from and satisfaction with Islamic banking service

quality in a non-Islamic country, England. Thus, the next chapter concerns the literature on Islamic banks' service quality in both Muslim and non-Muslim countries.

## **Chapter Three**

### **Service quality models**

#### **3.1 Introduction**

Service quality (SQ) has been viewed as an important issue in the banking industry (Stafford, 1994) because its apparent relationship to costs (Crosby, 1979), profitability (Buzzell and Gale, 1987; Rust and Zahorik, 1993), customer satisfaction (Bolton and Drew, 1991; Boulding et al., 1993), customer retention (Reichheld and Sasser, 1990), and positive word of mouth. SQ is widely regarded as a driver of corporate marketing and financial performance (cited by Buttle, 1996).

Islamic banks have managed to flourish in non-Islamic markets, and this should add to the competitiveness of this market; necessitating a closer look at the opinion of the Muslim towards Islamic banking in the UK, which urged these new established Islamic banks to develop their service and products in order to improve customers' perception and satisfaction. The UK has a challenging business environment in financial services (Ibrahim, et al., 2006), it is important for new entrants to develop their services to gain and retain their customers. There is a growing popularity of Islamic banking in the UK (English) market and in order to survive, it is important to English Islamic banks to develop their service quality, attract and satisfy their customers.

In recent years, there has been a proliferation in the number of studies seeking to develop a service quality instrument for Islamic banks. In the developing world the service quality concept is a multidimensional construct, the majority of studies used SERVQUAL to measure service quality and customers' satisfaction as a starting point, amending items to

reflect the country differences. This instrument has been widely adopted by both managers (Parasuraman et al., 1991) and academics (Babakus and Boller, 1992; Cronin and Taylor, 1992).

SERVQUAL has also been used in the Islamic banking sector (e.g. Othman and Owen, 2001, Jabnoun and Khalifa, 2005). However, SERVQUAL, to the researcher's knowledge has not been used to measure English Muslim customers' satisfaction with English Islamic banking. This chapter highlights related studies in non-Islamic and Islamic banks in order to identify the literature gap and to identify several dimensions and items that will be used to propose English Islamic SERVQUAL.

### **3.2 Definition of quality**

Definitions and measurements of quality have come largely from the manufacturing industry. In 1999, the International Standards (ISO) defined quality as "the totality of features and characteristics of a product or service that bears on its ability to meet a stated or implied need". Crosby (1979) defines quality as "conformance to requirement". It is the need of customers from product producer or service provider. Thus, it is important to note that satisfying the customers' needs and expectations is the main factor in these definitions.

There was however little understanding of the differences between the concept of quality in the manufacturing industry and the concept of quality in the service industry. Yet the service industry has important characteristics that differentiate it from manufacturing in terms of quality. Authors (e.g. Svensson, 2004; Walters and Dana, 2004; Zeithaml and Bitran, 2003; Parasurman et al., 1993) described these characteristics as follows:

- Intangibility: Services cannot be touched, tasted or smelled, so quality may be difficult for consumers to assess and customer satisfaction in service is not only influenced by objective measures of performance but also influenced by intangible aspects during the service performance.
- Heterogeneity: This creates another challenge for quality in services, because services are performances, frequently produced by humans, and no two services will be precisely the same.
- Simultaneity means that most services are produced and consumed at the same time, and this makes the quality of service and customer satisfaction highly dependent on the interaction between employees and customers.
- Perishability: Services cannot be saved, stored, resold, or returned. This implies a need for strong recovery strategies.

The above fundamental differences in the way services are produced, consumed and evaluated; mean that marketers of services face real and distinctive challenges (Zeithaml and Bitran, 2003). 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 expectations of a service and their perceptions of the quality of provision. This relationship was introduced in 1982 by Gronroos and is known as the perceived service quality (Gronroos, 2007).

Aldlaigan and Buttle (2002) reported that Gronroos has been consistent about the assumed dimensionality of service quality, which based on that the customer's perception of service encounter considers three dimensions:

- Process or functional quality of the service process (encounter); i.e. how the service is provided.
- Outcome or technical quality, concerned with outcome of the exchange process; i.e. what is received by customer.
- The image of the service provider, described as customer's general perception of the supplier.

The concept of perceived service quality was picked up by researchers in North America (first and predominantly by Parasurman et al., 1985, 1988) and was extended to the gap model (Gronroos, 2006). Quality of service therefore, can be the measure of success in providing excellent products and service, as viewed by the customer receiving the products and service. As a result, many researchers and quality scholars recognised the need to develop measures of service quality.

In literature the work of Parasuraman et al. (1985, 1988) in developing and measuring SQ model SERVQUAL has received the most attention. Parasuraman et al. (1985) defined service quality as the “degree and direction of discrepancy between customer's perceptions of service and expectations” (gap model). Parasuraman, Zeithaml and Berry considered that a customer's assessment of overall service quality depends on the gap between the expected and perceived service.

### **3.3 Bank service quality**

Walters and Dana (2004) argued that the service industries include; government services, pseudo-government services, utilities services, institutional services, trade services, travel, tourism and hospitality services, professional services, services retailing, support services,



and financial services which include brokerage, insurance and banking. This research generally concerns services in banking and in particular services in the Islamic banking industry.

There have been a number of studies of retail bank service quality. Most of these studies have measured service quality by replicating or adapting the SERVQUAL model (Aldlaigan and Buttle, 2002). Other studies concerned customer satisfaction (e.g. Ting, 2004, 2006; Jamal and Naser, 2002, 2003; Greenland et al., 2005; Tahir and Abu Bakar, 2007; Tsoukatos and Rand, 2006). Moreover, there are number of studies that have provided critical analysis and assessment of SERVQUAL (e.g. Newman, 2001; Buttle, 1996; and Cronin, and Taylor 1994). However, in the service quality literature, the most prominent studies that have attempted to measure the quality of service are the studies reported by Parasuraman et al. (1988), Cronin, and Taylor (1992).

#### **3.4. Service quality and satisfaction**

Service quality and customer satisfaction are inarguably the two core concepts that are at the crux of marketing theory and practice (Spreng et al., 1995). Service quality is both directly and indirectly related to bank loyalty via satisfaction (Ting, 2006; Jamal and Naser, 2003). Oliver (1993) noted that satisfaction loosely means ‘enough’ or ‘enough to excess’. Thus, customer satisfaction can be defined as the customer’s fulfilment response (Cited by Othman, 2003). It has also been described as a process and the most widely adopted of process theories is that of expectancy disconfirmation in which satisfaction is viewed as largely based on meeting or exceeding expectations. Researchers, such as Cronin and Taylor (1992) recognised that customer service satisfaction occurs at various levels in an organisation, including satisfaction with a contact person or front office staff

(service encounter), satisfaction with the core service and overall satisfaction with an organisation.

The key to sustainable competitive advantage lies in delivering high quality service that will in turn result in satisfied customers (Shureshchandar et al., 2002). In 2008 Amin and Isa examined the relationship between service quality perception and customer satisfaction in Malaysian Islamic banking. Amin and Isa found that the relationship between service quality and customer satisfaction was significant (Amin and Isa, 2008). The prominence of these two concepts is further manifested by theoretical and empirical studies. Therefore, the importance of service quality and customer satisfaction are the ultimate goals of service providers.

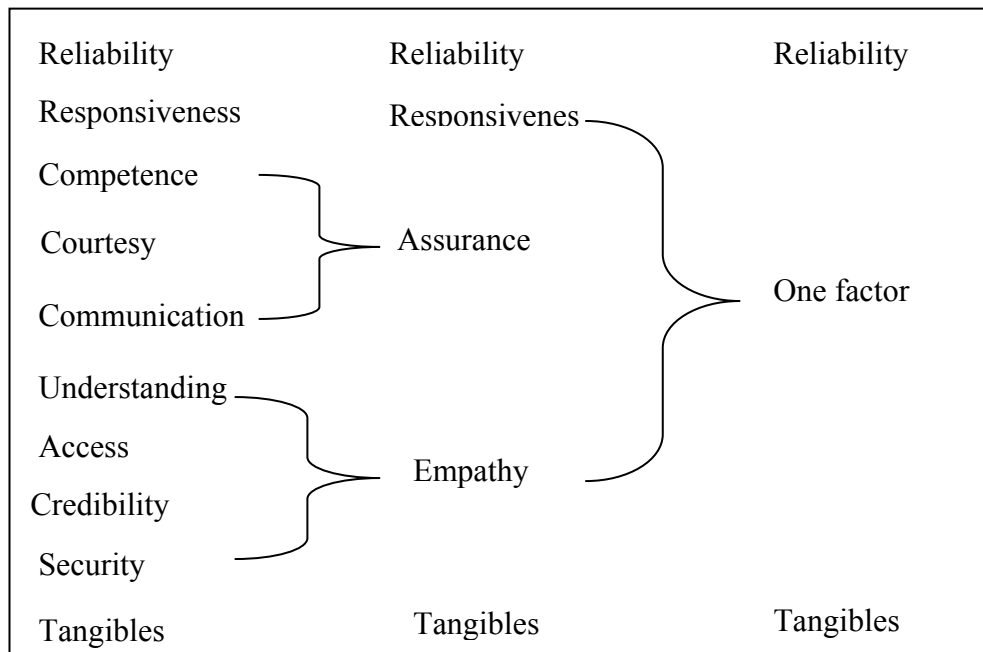
While there is little direct evidence as to the link between service quality and better company performance, company-level data suggests a link between higher quality, higher market share and improved profitability (Greenland et al., 2005).

### **3.5 SERVQUAL (gap model)**

In 1988, Parasuraman, Ziethaml and Berry, made the first systematic attempt to measure service quality with the measurement tool called SERVQUAL (Parasuraman et al., 1985, 1988, 1990, 1991, 1993, 1994). SERVQUAL is a two-scale measurement, model with ten dimensions designed developed and created as a means of tracking service quality across industries, determined the importance of key consumer perceptions. Through numerous qualitative and quantitative researches, Parasuraman, Ziethaml and Berry revealed that the model uses a set of five dimensions (reliability, responsiveness, assurance, empathy, and tangibles), and then three dimensions, which were consistently ranked by customers to be

most important for service quality, regardless of service industry. These dimensions were mainly used in North America, Australia, Hong Kong and Singapore to evaluate service quality. Caruana (2002) reported that the more recent work by Parasuraman, Ziethaml and Berry, intended to deepen understanding of the nature and determinants of customers' service expectations, produced an expanded expectations model. The concept of this model is that customers have a range of expectations, labelled the zone of tolerance, bounded by desired and adequate service levels. Parasuraman's study discussed incorporate into SERVQUAL the two expectation levels to generate a measure of service superiority (perceived service relative to desired service which called gap5a) and a measure of service adequacy (perceived service relative to adequate service which called gap 5b). Parasuraman et al. (1985, 1988, 1990, 1991, 1993, and 1994) suggested 10, 5, and 3 service quality dimensions are shown in Figure 3-1.

Figure 3-1: SERVQUAL's dimensions



It can be seen that Parasuraman et al. designed ten dimensions of service quality; reliability, responsiveness, competence, courtesy, communication, understanding, access, credibility, security, and tangibles and then through several studies by the authors the competence, courtesy, and communication melding into one dimension named assurance. Moreover, the understanding, access, credibility, and security melding into one dimension named empathy. Accordingly, the ten dimensions reduced to five dimensions; reliability, responsiveness, assurance, empathy, and tangibles. In another study 1994 by the same authors (Parasuraman et al.,) responsiveness, assurance and empathy items melding into one factor, as a result SERVQUAL contained three dimensions of service quality: reliability, single factor, and tangibles.

Parasuraman et al. (1985, 1988, 1990, 1991, 1993, and 1994) identified each dimension as follows: Reliability is the ability to perform the promised service, with dependability and accuracy. Responsiveness is the willingness to help customers and provide prompt service. Competence, access, courtesy, and communication is the knowledge and courtesy of employees and their ability to convey trust and confidence. It also includes verbal and written communication between bank staff and customers. Credibility, security, understanding and knowing customers are all called empathy. Empathy is customer care and giving individualised attention to the customers. Tangibles refer to mean the appearance of physical facilities, equipment, personnel, and communication materials.

The scale in the model consists of twenty-two pairs of question items (Appendix 2) which are based on the concept that the difference between consumer's perceptions and expectations of the service drives the judgment of the customer regarding the overall quality of the service. Perception is defined as the customer's judgment of the service in

the organisation's performance (Parasuraman et al., 1985, 1988). They identify the difference between customers' expectations and perceptions using three possible directions to define how a customer perceives service quality as shown in figure 3-2:

Figure 3-2: Direction of customers' perceptions in SERVQUAL

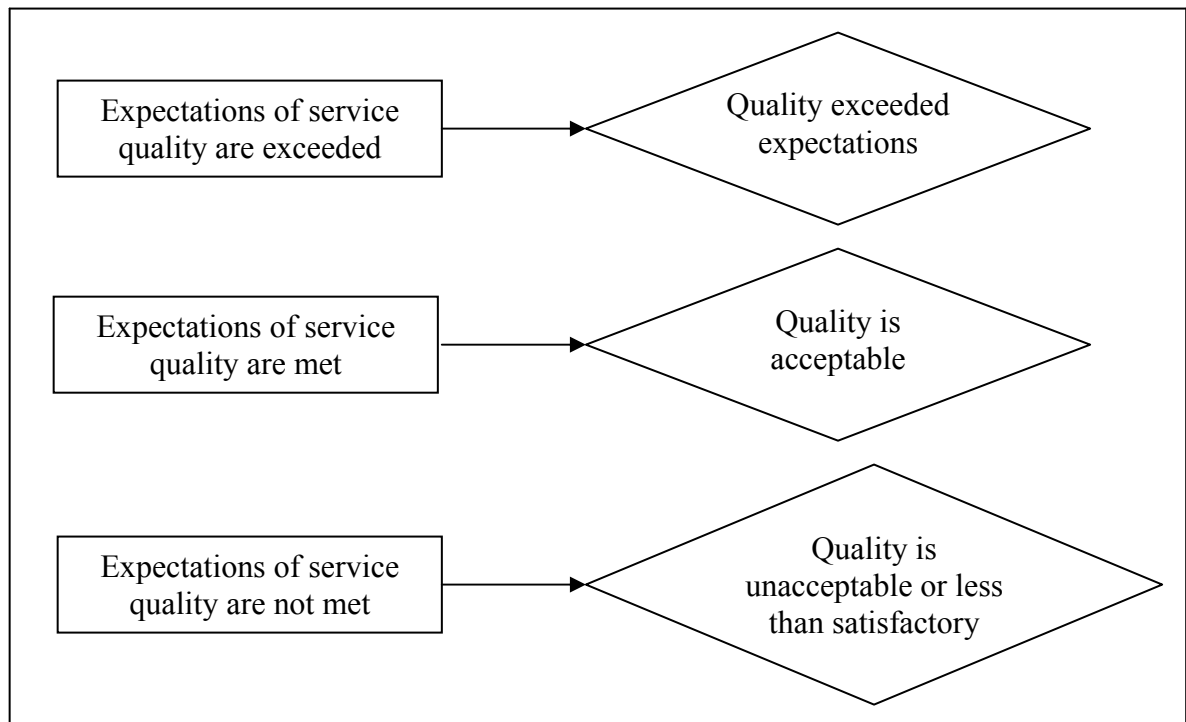


Figure 3-2 shows that there are three possibilities; first that customer's expectations of service quality are exceeded, so their perceptions of the service are higher than they were expected to be. Second, where customer's expectations of the service are acceptable, so their perceptions meet their expectations. In the third possibility, where the quality is unacceptable, this is called quality failure. The SERVQUAL model identifies five opportunities for quality failure, called "gaps", namely the inconsistency between the external customer's perceptions and expectations:

Gap one: Customer expectations–management's perceptions.

Gap two: Management's perceptions–service quality specifications.

Gap three: Service quality specifications–service delivery.

Gap four: Service delivery–external communications.

Gap five: Perceived service gap.

Gap five is an overall measure of service quality from the customer's point of view. It is the difference between perceived and expected levels of service. The approach of Parasuraman et al. (1985, 1988) represents the customer's expectations of performance on the service dimensions, then observing performance and later forming performance perceptions. Thus, the SERVQUAL model illustrates the core of what service quality may mean, namely a comparison of excellence in service by customers. Many researchers have used this model to study service quality in different sectors of the service industry (e.g. Wisniewski, 2001a, 2001b; Curry and Sinclair, 2002; Antony et al., 2004), including financial institutions (e.g. Jun and Cai, 2001; Paswan et al., 2004; Tahir and Abu-Bakar, 2007)

### **3.6 SERVQUAL debate**

The SERVQUAL model of Parasuraman et al. (1985, 1988) and its subsequent modifications (Parasurman et al., 1990-1994) have been subjected to a number of theoretical and operational criticisms (e.g. Buttle, 1996; Newman 2001; Cronin and Taylor, 1992, 1994).

#### **3.6.1. Dimensions**

It is important to mention that the original development of SERVQUAL was purported to be a universal measure of service quality because the scale development process relied on samples from multiple industries. However, SERVQUAL's dimensionality has not proved universal (Babakus and Boller, 1992; Brown et al., 1993; Asubouteng et al., 1996), and

empirical studies have produced a variety of dimensions. For instance, Babakus and Boller (1992) confirmed two SERVQUAL dimensions and added two from the original ten dimensions model. Buttle (1996) argued that SERVQUAL's five dimensions are not universal. Also, item composition may be criticised because four or five items cannot capture the variability within each SQ dimension.

Model modification is done by adding, deleting or rewording items to ensure suitability for a particular research context. Lam (2002) argued that an application of SERVQUAL in retail banking found problems with its dimensionality and the usefulness of expectation scores. SERVQUAL modifications have led to discussions about the universal versus context-specific character of the model, and whether changes to fit a specific context result in better predictive validity. Parasuraman et al. (1988) recognise that SERVQUAL can be adapted to the specific research needs of a particular organisation.

### **3.6.2. Culture**

The use of SERVQUAL in an international context raises a legitimate concern about validity across borders because research has shown that cultural values influence customer responses and measures of SQ research conducted internationally can be affected both by construct bias (i.e. the construct studied differs across countries) and item bias (i.e. items are distorted when used internationally) (Othman, 2003; Carrillat et al., 2007).

Many researchers have attempted to test SERVQUAL's robustness across cultures (Zhang, Beatty and Walsh, 2005). A study by Herk et al (2005 cited by Carrillat et al., 2007) reported that there is a general acceptance of the need to modify the model items to

suit the study context appropriateness of the SERVQUAL model when it is used outside the USA. This is because differences of national culture or language require not only modified items but also create distraction in how respondents perceive the construct under investigation.

### **3.6.3. Measurement ability**

The predictive validity of SERVQUAL has also been questioned; SERVQUAL fails to measure absolute service quality expectations. Cronin and Taylor (1992) and Babakus and Boller(1992) criticised SERVQUAL's reliance on the two scales measuring perceptions and expectations, when one scale (perceptions) would be shorter, simpler, more effective and can be sufficient as an evaluation of the global quality judgment. Their view, supported by Avkiran (1999 cited by Newman 2001), suggests a tendency to set expectations higher than perceptions, and as a result a gap appearing between expectation and perception is unavoidable.

Service quality scholars, such as Gronroos, also criticised the use of expectations as follows: first, if expectations are measured after the service experience, or at the same time as the experience, then what is measured is not really expectations but something that has been biased by the experience; second, it does not necessarily make sense to measure expectations prior to the service experience, because the expectations which customers have before-hand may not be the expectations to which they compare their experiences; and finally, measuring expectations may not be the correct thing to do since experiences are perceptions of reality, and inherent in these perceptions are the prior expectations. Buttle (1996) argued that SERVQUAL has some critics in terms of theories



and operations. In terms of theories, he noticed that there is little evidence that customers assess service quality in terms of perceptions-expectations gaps.

Parasuraman et al (1994) defend their argument for a perception-only measure of service quality. They admit that it is possible for researchers to infer consumers' dissatisfaction through arithmetic means, the (perceptions-expectations) gap, but consumer perceptions, not calculations, govern behaviour. Parasurman claimed that SQ was similar in many ways to an attitude. Cronin and Taylor (1992, 1994) show empirically that the perception items in SERVQUAL prevent a strong correlation with service quality than the difference score compilations' suggested by SERVQUAL. They therefore suggest the use of SERVPERF that consists solely of the 22 perception items of SERVQUAL.

Cronin and Taylor (1992) designed another model called SERVPERF to measure service quality. SERVPERF is a one-scale measurement for measuring service quality performance. It eliminates the expectation on the twenty-two items and measures only performance on the original version of SERVQUAL. Cronin and Taylor (1992) suggest that there is no real evidence to support the concept of a performance minus expectation gap as a basis for measuring service quality. Cronin and Taylor have tested SERVPERF in four industries, banking being one of them, and the findings showed that SERVPERF explained more of the variance in an overall measure of service quality than did SERVQUAL. They argue that SERVPERF (performance only) gives a better measure of service quality. Cronin and Taylor concluded that the SERVQUAL measurement (1988) appeared to have a good fit in only two of the industries examined, whereas SERVPERF had an excellent fit in all four industries examined.

From the discussion above, researchers and quality scholars have recognised the need to develop valid and distinct measures of service quality given the rise of service development in the last few decades. These criticisms have given rise to the introduction of new service quality measures. The SERVQUAL model remains the cornerstone of a majority of all other works, however, researchers have incorporated other constructs and measures along with SERVQUAL dimensions in order to enrich and extend the explanatory power of this model (Pont and McQuilken, 2002).

Service quality researchers, such as Robinson (1999) and Othman (2003), reported that SERVQUAL should perform better than the SERVPERF because SERVQUAL is a more scientific approach to scale development and is more firmly based on the literature than SERVPERF scale. SERVQUAL has indeed proved to be most popular instrument for measuring SQ because it affords technology techniques for measuring service quality and has been developed to face most critics (Othman, 2003).

Despite Cronin and Taylor's (1994) conceptual arguments in favour of SERVPERF, while it may have contributed to SERVPERF popularity, it has not reduced SERVQUAL's usage among scholars. SERVQUAL is a pioneering tool, adopted by a leading US bank and heavily promoted by management consultants (Newman, 2001) as a basis for monitoring and managing service quality development. Buttle (1996) reported that despite the criticisms that have been levelled against SERVQUAL, it remains an instrument that is used in all areas of business and industry.

In spite of the discussions and several arguments provided by researchers about the superiority of SERVPERF over SERVQUAL (Cronin and Taylor, 1992, 1994), the results

of meta-analysis by Carrillat et al. (2007) suggest that both scales are adequate and equally valid predictors of overall service quality. Because of the high statistical power of meta-analysis, these findings could be considered as a major step toward ending the debate whether SERVPERF is superior to SERVQUAL as an indicator of overall service quality.

### **3.7 SERVQUAL's alternatives**

Academic debate of service quality measures and SERVQUAL validity has been accompanied by proposals for alternative service quality measures, such as SERVPERF by Cronin and Taylor (1992) and BANKSERV by Avkiran (1999), cited in Newman (2001). BANKSERV is a single scale measurement of service quality; customers can reflect their perceptions and expectations in a single statement (Pont and McQuilken, 2002). SERVQUAL, grounded in the Gap model, measures SQ as the calculated difference between customer expectations and performance perceptions of a service encounter (Parasuraman et al., 1988, 1991). Cronin and Taylor (1992) challenged this approach and developed the SERVPERF which directly captures customers' performance perceptions in comparison to their expectations of the service encounter.

Another approach used in the banking industry by Ennew et al (1993) and Hemmasi et al (1994 cited in Newman 2001) is the importance-performance measure, which looks at how well a service attribute meets customer needs. Their thinking, supported by Joseph et al. (1999), is that this is an appropriate way of measuring service quality in banking because it allows the identification of priority problem areas. As a result, Newman (2001) as an adaption to SERVQUAL produced BSQ (Banking Service Quality).

### **3.8 Service quality and culture reflection**

In a sector that is becoming increasingly international, such as services (Gronroos, 1999), it is important to develop standardised measures to adequately capture cross-cultural consumer satisfaction in similar intra-services industries. Each measure should be free of errors and measure exactly what it is supposed to measure. A perfectly valid measure will be able to capture the true value of the characteristics of interest. Newman (2001) reported that increasing competition, technology, social and cultural factors were the chief drivers of service quality initiatives during the 1990s.

It has been argued that there are differences in the levels and the formation of satisfaction when cross-cultural consumer groups are analysed (Othman and Owen, 2001, 2002; Othman, 2003; Sureshchandar et al., 2003; Arasli et al., 2005; Jabnoun and Al Tamimi, 2003; Cui, Lewis and Park, 2003; Shahin, 2006; Lam, 2002; Angur et al., 1999; Naser et al., 1999; Jamal and Naser, 2002, Jamal and Naser, 2003; Raven and Welsh, 2004; Jabnoun and Khalifa, 2005; Al Tamimi and Al Amiri, 2003; Shafie et al., 2004; Nazrul and Ezaz, 2005; Lopez et al., 2007, Malhotra et al., 2005; Gerrard and Cunningham, 1997, Dusuki and Abdullah, 2007; Abdullah and Abdul Rahman, 2007). Othman and Owen (2001, 2002) recognised the existence of cultural differences between countries, regions, religions and ethnic groups when they developed and tested a theoretical model for Islamic banks called CARTER. Othman and Owen reported that researchers studying different service categories, such as banking, telephone service, securities brokers, and credit card companies, have identified SERVQUAL dimensions on the bases of culture, products and service, technology, etc. Furthermore, they stated that, new studies in service quality (which could be based on the original ten or new five SERVQUAL dimensions) are recommended to be merged and modified to be suitable for each industry by

suggesting or examining new dimensions. Islamic banks' culture guides them to add a new dimension called "Compliance with Islamic law" to Parasuraman's five dimensions. They also changed the location of some of the items in the different dimensions.

### **3.9 CARTER (Islamic SERVQUAL)**

Researchers and quality scholars have recognised the need to develop valid and distinct measures of service quality given the rise of service development in the last few decades. SERVQUAL has indeed proved to be the most popular instrument for measuring SQ because it affords technology techniques for measuring, and measuring SQ has been developed to face most critics (Othman, 2003, who designed CARTER to measure service quality in Islamic banks). This is based on the fact that because of the different studies in different service categories, such as banking, telephone services, dentistry, fast food, dry cleaning and credit cards companies, researchers have identified SERVQUAL dimensions on the bases of the firm's culture, products and services, technology and environment.

Othman (2003) linked service quality to customer satisfaction and customer loyalty, reporting that a satisfied customer will be loyal to the organisation, which is a measure for organisational performance. CARTER is a model based on the five SERVQUAL dimensions in addition to new dimension called "Compliance with Islamic law" which is suitable for the Islamic banking industry (Islamic house of Kuwait). This dimension includes items such as "run on Islamic law and principles", "no interest paid or taken on savings and loans", "provision of Islamic products and services", "provision of free interest loans" and "provision of profit sharing investment products". CARTER includes 33 items across six dimensions, which are Compliance, Assurance, Reliability, Tangibles, Empathy, and Responsiveness. To the best of the researcher knowledge CARTER is the

most well known model in Islamic banking system and has been adopted in many subsequent studies on Islamic banks in different countries (i.g. Shafie, Azmi and Haron, 2004, Ciptono and Soviyanti, 2007). These studies on service quality in Islamic banks have however tended to be conducted in eastern and predominantly, Muslim-based countries.

### **3.10 Literature gap (English Islamic SERVQUAL)**

Consequentially, this research adopted and adapted SERVQUAL to design Islamic SERVQUAL for English Islamic banking. From the above discussions, CARTER is perhaps the only model in the Islamic banking industry, designed for Islamic banks in a Muslim based country, and it has modified SERVQUAL. According to cultural effects and overlapping dimensions, an Islamic SERVQUAL for English Islamic banks (non-Muslim based country) now needs to be designed and customer satisfaction needs to be measured. To the best of the researcher's knowledge the SERVQUAL approach (expectations-perceptions) has not employed in the English Islamic banking industry.

### **3.11 Service quality studies, dimensions and items**

Previous studies in service quality generally and the banking sector in particular identified a series of items (Appendix 12) for assessing banking service quality. The studies are shown in Table 3-1 below, and include banking service in different countries, bank type with different cultures (e.g. UK, Hong Kong, Singapore, USA, Taiwan, India, South Korea, East Africa, Kuwait, UAE, Bahrain, Jordan, Indonesia and Malaysia). A complete output of service quality items and dimensions from the service quality literature in financial services will be listed at the end of this Section.

Table 3-1 shows the author, country, sector and the tool used in each study. Items that each dimension contains and its rank are described. The service quality dimensions and

items are shown in table 1-7 (See Appendix 12). The star marks explain the rankings rated by the study to that particular dimension (\* ranked first, \*\* ranked second, \*\*\*ranked third, \*\*\*\*ranked fourth, and \*\*\*\*\* ranked the fifth). The ticks in the table indicate that the author used these items to define the dimension.

Table 3-1: Service quality studies in banking industry (Islamic and non-Islamic)

<i>Author</i>	<i>Country</i>	<i>Sector</i>	<i>Tool and Importance</i>
Newman (2001)	UK	Retail bank	Un-weighted SERVQUAL and importance is to show gap between Expectations and Perceptions
Jabnoun and Al Tamimi (2003)	UAE	Commercial banks	Un weighted SERVPERF
Angur et al. (1999)	India	Retail banks	Four alternative measure of service quality /which scale performs better from measurement point of view/supported
Al-Tamimi and Al-Amiri (2003)	UAE	Islamic banks	Compare between service quality in two Islamic banks/ SERVQUAL
Naser et al. (1999)	Jordan	Islamic banks	Customer satisfaction and preferences
Othman (2003)	Kuwait	Islamic bank	Weighted SERVQUAL and building CARTER.
Stafford(1994)	UAS	Banks	Represents a list of characteristics of bank quality/perceived by customers and importance of the characteristics perceived by them.
Cui et al. (2003)	South Korea	Banks	Tested SERVQUAL, weighted SERVQUAL, SERVPERF and weighted SERVPERF
Jun et al.(2001)	USA	Banks	Internet banking service quality
Ting (2004)	Malaysia	Banking institutions	Relationship between service quality and satisfaction / theoretical
Lam(1999)	Hong Kong, Singapore and Taiwan	Banks	Tested SERVQUAL in Eastern business
Surshchandar et al. (2003)	India	Retail banks	Compares between three groups of banks with respect to the service quality/customer perspective
Greenland et al.(2005)	East Africa	Banks	Compares the effectiveness of SERVQUAL and regression approaches to service evaluation in developing country.
Metawa et al. (1998)	Bahrain	Islamic banks	Banking behaviour of Islamic bank customers
Gerrard et al. (1997)	Singapore	Islamic banks	Muslim awareness and satisfaction toward Islamic banking in Singapore.
Shafie, Azmi and Haron(2004)	Malaysia	Islamic banks	A replication study to CARTER model to measure customer satisfaction in Malaysian Islamic bank. Their result was that CARTER is valid to measure service quality in Islamic banking.
Ciptono and Soviyanti (2007)	Indonesia	Islamic banks	Adapted CARTER model to measure service quality in Islamic banks resulted to eight dimensions with 32 items. The dimensions are CARTER dimension+ competence and knowing the customer (customer intimacy).
Tahirand Abu Bakar (2007)	Malaysia	Commercial banks	Used SERVQUAL gaps to measure customer satisfaction.
Amin and Isa (2008)	Malaysia	Islamic banks	Examined the relationship between service quality and customer satisfaction. (Model starts with SERVQUAL).

### **3.11.1 Reliability**

Parasurman et al., (1985-1994) defined reliability in terms of the firm performing the service right the first time. It is mainly concerned with the outcome of service, and means that the firm honours its promises. Reliability involves consistency of performance and dependability. “Worthy of reliance or trust; a reliable source of information; a dependable worker” as other researchers have defined reliability. (Newman 2001) called it a hard quality dimension, ranked as the first dimension on service quality model SERVQUAL, and with the largest gap between customer expectations and perceptions. However, in South Korea, reliability was the third distinct dimension (Cui et al., 2003). Angur et al. (1999) tested which dimension performed better from a measurement point of view; his results reinforce the five dimensions proposed by Parasurman et al. (1985-1988), with reliability being the most important. Similarly, Lam (2002), Jun et al. (2001) and Surshchandar et al. (2003) have ranked reliability as either first or second in importance in service quality dimensions.

According to the literature , the attributes of: of reliability are: account accuracy (keeping records correctly, accuracy in billing), keeping promises, meeting deadlines, providing a timely service (performing the service at the designated time), accurate information to customers, improved cash machines, availability and dependability. Convenience (short time for service anywhere), wide range of products and services provided, security of transactions and more tills open at peak time have been added in the Islamic banking sector by Othman (2003), who described reliability as the bank’s ability to perform the promised service, with dependability and accuracy. However, the attributes’ security of transactions’ and more open tills at peak time are components of empathy, as the original SERVQUAL indicated.



### 3.11.2 Assurance

Gronroos (1988) developed five key dimensions of service quality; professionalism and skills (i.e assurance) was first, whereas Parasurman et al. (1994) ranked assurance as their fourth dimension. Parasurman et al. (1994) defined assurance as the knowledge and courtesy of employees and their ability to convey trust and confidence to the customers.

Assurance in SERVQUAL (1994) comprised three types of service quality dimensions from the original ten dimensions (1991 SERVQUAL). The three types of service quality dimensions were:

- Courtesy which refers to staff conduct, politeness, respect, consideration, friendliness, clean and neat appearance of public contact personnel including receptionists and telephone operators.

- Competence which refers to staff knowledge and skill required to deliver a good service.

- Communication, which refers to the verbal and written information the bank uses to explain its service. It means keeping customers informed in language they can understand and listening to customers, including a willingness to adjust its language for different consumers, nationality, and level of education and speaking. This item in the SERVQUAL scale was supported by Angur et al. in 1999.

Assurance reflects employee attitudes and behaviour. Newman (2001) used assurance to staff ability in providing a competent, confidential service, courteous service, and staff ability to provide friendly service. Following the same direction as previous researchers Parasurman et al. defined assurance as employees' knowledge and courtesy and ability of the organisation and its employees to inspire trust and confidence. They reported that

assurance is likely to be particularly important for services that the customer perceives as involving high risk or about which they feel uncertain about their ability to evaluate outcomes—for example, in banking, insurance, legal and medical services. Customers use tangible evidence to assess the assurance dimension – visible evidence of degree, honesty, and awards and special certifications may give a new customer confidence in a professional service provider.

Naser et al. (1999) used assurance to refer to staff ability to provide a confidential service. Jabnoun and Al-Tamimi's (2003) study of UAE commercial banks resulted in three dimensions; human skills, tangibles and empathy. The human skills dimension consists mainly of items that were originally included in the reliability and assurance dimensions. Jabnoun and Al-Tamimi also compared the importance of the three dimensions and found human skills to be the most important. This implies that customers value human skills the most, therefore banks should give more focus to the dimension of human skills in their work to increase overall service quality. Othman (2003) in the Islamic banking model CARTER used assurance refers to politeness and friendly staff providing financial advice, interior comfort of the bank, ease of access to account information and knowledgeable and experienced management team. Furthermore, in his modified model, assurance was the second most important service quality dimension in Kuwait Islamic Finance House. However, assurance appeared to be a less important dimension in Al- Tamimi's study of UAE Islamic banks (2003)

### **3.11.3 Responsiveness**

Responsiveness is staff willingness to help customers and provide prompt service (Parasurman et al., 1985-1994). This definition is supported by many authors such as

Jabnoun and Al Tamimi (2003), Jun et al. (2001), Lam (2002) and Surshchandar et al. (2003) who have described responsiveness as the provision of prompt service. The Oxford dictionary identifies responsiveness as the quality of being responsive; reacting quickly; as a quality of people, it involves responding with emotion to people and events. It is communicated to customers by the length of time they have to wait for assistance, answers to questions, or attention to problems. Responsiveness also captures the notion of flexibility and ability to customize the service to customer needs.

Newman (2001) introduces responsiveness as the readiness of the staff to tell customers when exactly things will be done, prompt service, giving customers' undivided attention, being demonstrably responsiveness to the customers' requests. Even though responsiveness is one of the difficult dimensions to evaluate, Newman's study showed a significant gap between perception and expectation. Othman's study (2003) described responsiveness in the Islamic banking sector as knowledge of customer's business or williness to help, the way staff treat customers, availability of credit on favourable terms, and branching, also fast counter service.

In studies such as Cui et al. (2003), SERVQUAL is revised to reflect the different views and inconsistent results arising from several replication studies of SERVQUAL a cross different cultures and there is evidence of overlapping between its identified dimensions. Their study has shown three dimensions, the third dimension includes some of the items measuring reliability and responsiveness in the original SERVQUAL. Also, Al- Tamimi et al. (2003) modified SERVQUAL in their study and found that one of their dimensions consisted of items that were part of the two original dimensions of responsiveness and empathy in the original SERVQUAL. In SERVQUAL1994, responsiveness was ranked as

the third dimension. Avkiran (1994) ranked responsiveness first when examining the six-dimension model for service quality in the banking industry. However, the model items were reduced and responsiveness items included under other dimensions. In the 1999 studies responsiveness was ranked differently. Angur et al. (1999) ranked responsiveness as the most important dimension. However, Lam ranked responsiveness as the fourth dimension

#### **3.11.4 Tangibles**

Tangibles refer to the appearance of physical facilities, equipment, personnel, and communication materials (Parasurman et al. 1988, 1991). They are what provide the physical image of the service that new customers will use to evaluate quality. Therefore, tangibles will include: physical facilities, tools or equipment used to provide the service, physical representations of the service, such as a bank statement or plastic credit cards, and speed with efficiency of transactions.

Angur et al. (1999) and Jun (2001) use tangibles to refer to customer communications. However, Al-Tamimi and Al-Amiri (2003) defined it in terms of the appearance of branches in terms of appeal and found it to be one of the most important dimensions. Othman (2003) included in tangibles: external appearance, speed and efficiency of transactions, opening hours of operations, counter partitions in the bank, and overdraft privileges on current accounts. However, opening hours of operations may be more acceptable as part of empathy, as in Jabnoun and Al Tamimi's study (2003). In addition, overdraft privileges on current accounts could be included with the reliability dimension. Cui et al. (2003) perceived the tangibles dimension as a distinct aspect that does show consistency a cross cultures.

Newman (2001) and Jabnoun and Al Tamimi (2003) include in tangibles investment in equipment, appearance of branches in terms of appeal, cleanliness, tidiness, customer leaflets, letters, statements, and customer communication. Newman found that tangibles exceeded customers' expectations in UK banks. Jabnoun and Al Tamimi's study found that tangibles were equally significant with empathy.

### **3.11.5 Empathy**

Customers want to feel understood by and important to organisations that provide services to them. Parasurman (1994) defined empathy as the caring, individualised attention the organisation provides its customers. The essence of empathy is conveying, through personalised or customised service, that customers are unique and special. This dimension refers to the level of caring and individualised attention the bank provides for its customers.

Parasurman et al. (1994) through numerous qualitative researches evolved a set of five dimensions, instead of ten, which include access, credibility and security in one dimension, named empathy. They described them as the following:

-Security: The freedom from danger and risk - physical safety (knowing that customers do not get mugged at the cash machine), financial security, answering where where customers' records are kept), and confidentiality (meaning that dealings with the bank are kept private).

-Credibility: This is refer to trustworthiness, believability, honesty and reputation, keeping customers' interests at heart, the organisation's name and reputation, the personnel characteristics of contact personnel, the degree of hard sell involved in interactions with the customer, as well as understanding individual need and problems.

-Access: This requires that the service is easy to get access to and is delivered on time. Also, approachability and easy of contact, the service is easy accessible by telephone, waiting time to receive service is not extensive, convenient hours of operation and convenient location of service facility.

Gronroos (1988) explained how customers perceived service quality based on three points, building the image of the firm during buyer/seller interactions was one of them, which reflect reputation and credibility. In Al-Tamimi and Al-Amiri's (2003) study of UAE Islamic banks, service quality resulted in three dimensions, empathy was one of them, and consisted of items that were part of two original SERVQUAL dimensions of empathy and responsiveness. It contained customers' best interests at heart, convenient opening hours, understanding of individual customer needs and problems and providing individual attention, whereas CARTER's empathy (Othman, 2003) contained the bank location, well-known bank, bank size in assets and capital, parking available confidentiality of the bank, confidence in bank's management, products and service profitability, lower service charge and provision of financial advices.

Having customers' best interests at heart and providing individual attention were included in empathy in Newman's study (2001) of a UK high street bank. She found that empathy was the third dimension in which customer expectations were not being met.

Many researchers support the suggestions made by Babakus and Boller (1992), Cronin, and Taylor (1992) that the dimensions of service quality may depend on the type of industry being studied. Jabnoun and Al Tamimi's (2003) study of UAE commercial banks, as an example, found that the combination of empathy and responsiveness

appeared to be natural given the conceptual similarities between the two dimensions. Their study also described empathy in terms of having customers' best interests at heart and providing individual attention. Avkiran (1994) designed and examined six dimensions in a model of service quality in banking and empathy and access were the second and fourth dimensions. The six dimensions were reduced to be four dimensions: credibility and access to teller service were the second and fourth dimensions again. Cui et al. (2003) study showed that empathy, one of three dimensions identified by Parasurman et al. (1994) may also apply in the banking service environment in South Korea. In addition, Greenland et al. (2005) stated that empathy also applied in East Africa, as SERVQUAL identified.

Jun et al. (2001) described empathy as understanding individual customer needs and problems. Lam (2002) included convenient opening hours in empathy items, which was supported by Surshchandae et al. (2003) who reported convenient opening hours, and understanding of individual customer needs and problems as components of empathy. Parasuraman et al. (1994) in SERVQUAL ranked empathy as the fifth dimension. Lam (2002) ranked empathy as the third dimension.

Back in 1988, Gronroos ranked credibility as the second dimension and placed accessibility in fourth position. Othman (2003) in his Kuwaiti Islamic bank six-dimension model ranked empathy as the fifth dimension. However Jabnoun and Al Tamimi (2003) found empathy to be the second dimension in UAE commercial banks. Studies in service quality dimensions did not stop at SERVQUAL's five dimensions. For instance, Jabnoun and Al-Tamimi (2003) found human skills to be one of three service quality dimensions in the UAE commercial banks and the human skills dimension consists mainly of items

that were originally in reliability and assurance. Gronroos (1988) developed five key dimensions of service quality; professionalism and skills was the first dimension, then behaviour and attitudes were the third dimension.

Service quality and customer satisfaction have been approached from several directions in the literature. For example, Metawa and Almosawi examined the banking behaviour of Islamic bank customers in Bahrain and found that customers were satisfied with the products or services they used most. Naser et al. (1999) studied customer satisfaction and preferences in Jordanian Islamic banks and found that there was a degree of satisfaction with many banks' facilities and products, but dissatisfaction with some of the Islamic banks' services.

### **3.12 List of items**

The following list of items or attributes have been compiled from service quality models and studies reviewed in this chapter, including SERVQUAL model, modified SERVQUAL model and service quality models in banking industry, Islamic and non-Islamic. However, the previous studies usually gather these attributes under a number of dimensions. In this study, some of these attributes are used to build up the survey items after comparing them with the results of the empirical study (focus groups) in chapter five.

The literature review has yielded the following list of items:

1. Keeping promises
2. The provision of prompt service
3. Readiness of staff to tell customers when exactly things will be done
4. Being demonstrably responsive to customer requests
5. Meeting deadlines
6. Keeping promises



7. Appearance of branches in terms of appeal
8. Providing the service timely
9. Giving customers' undivided attention
10. Customer leaflets, letters, statements
11. Accurate information
12. Cleanliness
13. Tidiness
14. Improve cash machines
15. Customer communications
16. Convenient opening hours
17. Availability and dependability
18. Customers' best interests at heart
19. Understanding of individual customer needs and problems
20. Staff ability to provide service competent
21. Providing individual attention
22. Cultural dimensions
23. Staff ability to provide confidential service
24. Knowledge of staff to answer customers' questions
25. Investment in equipment
26. Staff ability to provide service courteous
27. Human skills
28. Staff's conduct
29. Staff ability to provide friendly service
30. Credibility
31. Staff ability to convey trust and confidence
32. Access

### **3.13 Conclusion:**

From the existing debate and service quality models literature, this research has adapted SERVQUAL and CARTER to develop a service quality measurement model for the English Islamic banking industry using the importance of English Muslims' requirements to measure customer satisfaction. It has become clear that both service quality dimensions

and their items are subject to change from one study to another, either the name of dimension, the number of dimensions, the rank of each dimension, the name of items that are included in each dimension, the number of items that are included in each dimension, and the rank of the item inside each dimension. Studies emphasise cultural dimension as an important factor in service quality. Overall, a number of studies in financial service quality, mainly from the banking sector have been reviewed and a set of items/attributes derived from them in order to develop a service quality model that can be applied to English Islamic banks.

## **Chapter Four**

### **Research Methodology**

#### **4.1 Introduction**

This chapter discusses the research philosophy and the methods used in the research to design a service quality model for English Islamic banks using mixed methods.

Furthermore, the chapter describes the methods used to identify the differences between Muslims who hold Islamic bank accounts and Muslims who hold non-Islamic bank accounts. Methods used to operationalise the proposed model to measure the quality of English Islamic banks' service and customer satisfaction are also described in this chapter. In summary, service quality in English Islamic banks is examined through a qualitative method using focus group discussions to identify the key service quality items in English Islamic banks. The results of the focus group discussion are used to construct the study questionnaire. Quantitative methods are then used to analyse the customer survey, which results in the proposed model with thirty-four variables and five dimensions.

#### **4.2 Research philosophy**

Saunders et al. (2003) state that research philosophy depends on the way that researchers think about the development of knowledge. Two major logical systems are applied in research logical reasoning, the inductive and deductive methods. In this study, both reasoning processes are involved; the deductive method in which the researcher designs a research strategy to test hypotheses, and the inductive method in which data are collected to develop a theory as a result of the data analysis. Because Islamic banks were established in the UK to fulfil UK Muslims' needs, the researcher aim to test whether

these banks have been able to satisfy their customers or not. To test customer satisfaction in the literature, SERVQUAL was found to be the most popular model used for service quality measurement and customer satisfaction. Specifically, CARTER was developed in 2003 to be used for Islamic banks. To the researcher's knowledge, CARTER is the only service quality model for the Islamic banking sector. However, CARTER was developed in a Muslim-based country using the Islamic Finance House of Kuwait as a case study. As a result, in the literature review, SERVQUAL has been adapted to different cultures, but there is no Islamic SERVQUAL model for Western countries (such as the UK).

Therefore, a deductive approach was used to develop the EIBSQ (the English Islamic Banking Service Quality model). An inductive approach was used in this study through focus group discussions. Focus groups represented the first phase of the research strategy, where data were collected from groups of Muslims in the UK, resulting in a set of Islamic banking service quality items, which were then used to develop the service quality model.

According to Saunders et al. (2003), deductive and inductive approaches are attached to different research philosophies, the deductive approach to positivism and the inductive approach to interpretivism. Bryman and Bell (2003) identified positivism as an epistemological position that advocates the application of the methods of natural sciences to the study of social reality and beyond. Moreover, interpretivism is predicated upon the view that a strategy is required that respects the differences between people and objects of the natural sciences.

Recognising that all methods have limitations, the results from one method can help develop or inform the other method (Creswell, 2003). Saunders et al. (2003) supported Creswell by stating that the results researchers obtain will be affected by the method used.

Since all different methods will have different effects, it makes sense to use different methods to cancel out the “method effect”, which will lead to greater confidence being placed in research conclusions. The purpose of the two phases in this study, sequential mixed methods, is to explore participant views with the intent of using this information to develop and test an instrument with a sample from a population. The first phase will be a qualitative exploration of English Muslim views and needs from English Islamic banks by collecting eight focus groups from the Muslim community in the UK. Themes from this qualitative data were used as instruments so that the proposed English Islamic banks’ service quality items could be tested and developed for English Islamic banks, using multi or mixed methods, as named by Saunders et al. (2003) or multi strategy as named by Bryman and Bell (2003).

### **4.3 Research methods**

This research is conducted using a mix of qualitative and quantitative methods. In order to build a general understanding of Islamic banking and customer needs from Islamic banks, the research first adopts an interpretivist paradigm or qualitative approach presented in discussion groups. Second the research adopts a positivist paradigm or quantitative approach in order to test certain hypotheses. Finally, the research conducts a statistical evaluation of the Islamic banks’ performance in the market by measuring customer satisfaction. Bryman and Bell (2003) state that qualitative research can be used to guide quantitative research in either providing hypotheses or aiding measurement. In this study, a qualitative stage (discussion groups) facilitated the structure and design of the survey questions used in the quantitative stage.

The questionnaire was constructed following discussions with focus groups of Muslims who live in England and this helped the researcher to develop an understanding of possible new items in this kind of banking that may have an effect on service quality and customer satisfaction. Additionally, in-depth discussions with respondents in focus groups can be combined with the questionnaire results to illustrate and reinforce the quantitative findings and provide an examination of the depth of the Muslim mind and Islamic banks' culture.

#### **4.4 Data collection**

Two kinds of data collection methods are used in this study: primary and secondary sources.

##### **4.4.1 Primary source**

Data were collected in two stages. In the first stage, a total of thirty-six Muslims from England took a part in the group discussions with an average group size of four.

Participants were Islamic bank account holders and non-Islamic bank account holders.

In the second stage, a questionnaire, one of the most widely used survey data collection techniques (Saunders et al., 2003), was used. The questionnaire covered a wide range of issues and was prepared in English. Two versions of the questionnaires were designed and distributed to the English Muslim community: Islamic and non-Islamic bank account holders (regarded as potential customers).

The Islamic bank account holders' questionnaire contained five parts, the first of which included 3 sections. This was used to collect information about the kind of bank, and banking services currently being used, and the reasons for holding an Islamic bank

account. The second part comprised 34 statements, designed to measure each customer's views of the importance of each statement using Likert's 5-point scale. The third part was used to measure customers' expectations also using a 5-point Likert scale and the same 34 statements. The fourth part investigated customers' perceptions again by using the same 34 statements and Likert's 5-point scale. The final part of the questionnaire was used to collect personal information about the respondents; gender, age, education, level of income, marital status, nationality, ethnic origin and occupation.

The non-Islamic bank account holders' questionnaire contained four parts; the first part also included 3 sections to collect information about the kind of bank account, and banking services currently being used, and the reasons for not holding an Islamic bank account. The second part comprised 34 statements, measuring the customers' views of importance using Likert's 5-point scale. The third part was used to measure customers' expectations also using a 5-point Likert scale and the same 34 statements. The fourth part was used to collect customer personal information; gender, age, education, level of income, marital status, nationality, ethnic origin and occupation.

Questionnaires were distributed face to face/ by hand to Muslims in 10 cities with significant Muslim populations (Dar 2005, and Leach 2003). All 10 cities are located in England. A hand-distributed questionnaire was used because it was not possible to obtain a postal list of Muslims living in England. In addition, the banks were unwilling to give details of their clients' addresses due to the Data Protection Act. Therefore, the researcher visited London (50% of UK Muslims population) for a month (Ramadan) and travelled from there to other English cities with significant Muslim populations to distribute the questionnaires during Ramadan at locations where Muslims are known to congregate, e.g.

Mosques, Muslim community centres, schools, and Islamic banks branches. To avoid bias, questionnaires were also distributed at supermarkets, shops, restaurants, cafes, buses, parks etc. The researcher reached Muslims (male, female, young, old, unknown nationality, unknown ethnic origin, unknown educational level and occupation) and introduced herself, advised on what the research is about, enquired whether the person is an Islamic bank account holder or non- Islamic bank account holder (in order to hand the right version of questionnaire to be completed), and assured the respondent that the information will be obtained for academic reasons only. The researcher then left the person to complete the questionnaire and waited for them to return it to the researcher once completed. Three hundred usable responses were obtained. Respondents included 94 Islamic bank account holders, 196 non-Islamic bank account holders, and 10 respondents with no bank account.

It is important to mention that within the 300 usable questionnaires obtained there were a few missing answers to questions. For example, only 295 answered the age question (giving five missing values); only 275 answered the annual income question (giving 25 missing values); only 291 answered the occupation question; only 290 answered the nationality question and only 286 answered the ethnic origin question. These are potentially sensitive questions. The researcher did not reject these questionnaires, as the loss of such information will not affect the value of the answers to questions in the main part of the questionnaire, i.e. the parts concerning importance, expectations, and perceptions of banks.



#### **4.4.2 Secondary source**

Secondary data were collected from several sources such as books, periodicals, the British library, library databases, conferences, seminars, newspapers, Islamic banks' reports, and electronic databases particularly Emerald and Business Source Premier together with articles and reports from Islamic Finance Information Service, Institute of Islamic banking and Insurance (IIBI) and Financial Times (FT). Both English and Arabic were used in the data collection. The literature reviewed the historical background and the development of Islamic banking and then the research explained the main principles, and some aspects of the different (IFIS) practices of Islamic banking. It also reviewed service quality items, dimensions, and models in the service quality literature.

#### **4.5 Population and sample of the research**

The study population was English Islamic banks' customers and potential customers (i.e. the English Muslim community), who have an Islamic bank account and who do not have an Islamic bank account. As, Islamic banks are located in England and mainly in London (see table 2.2), the questionnaires were distributed to 350 Muslims, Islamic banks customers and potential customers in England, mainly from 10 English cities with significant Muslim populations: London (where 50% of UK Muslims are living), Birmingham, Manchester, Nottingham, Leicester, Coventry, Derby, Peterborough, Loughborough and Luton (reported by Dar, 2005). The focus groups were also from England. Although, Hanlon (2004) reported that 3 million Muslims live in the UK, in 2003 and 2004 Buxton reported that there was a total of only 1.8 million people in the Muslim community in the UK, although the actual number is probably higher than that. It is made up of Muslims from many areas of the world and they demand Islamic products, which is sufficient to interest a number of UK financial institutions. In addition, Dar's

(2003) survey, conducted in central England (the East Midlands) to determine the demand for Islamic finance, reveals that over 90 percent of Muslims in the UK reject interest-based finance and an overwhelming majority would consider switching to a Sharia-compliant alternative.

#### **4.6 The focus groups**

Bryman and Bell (2003) identified the focus group method as a form of group interview in which there are several participants (in addition to the moderator). There is an emphasis in the questioning on a particular tightly defined topic; and the accent is upon interaction within the group and the joint construction of meaning.

Saunders et.al. (2003) and Andresen (2002) argued that focus groups are a desirable technique among researchers because of the low cost and because they have features specifically attributable to the group interaction, such as synergism, minimal interviewer effects, increased spontaneity, serendipity, higher quality interviewing, and natural setting. High quality focus groups should be relatively homogeneous so that they share the same values, experiences and verbal skills, and have discussions in a natural atmosphere for around one and one-half hours, taped so the researcher can go back for additional insights or clarification of unclear points. The researcher should have clear objectives for each session (Andresen, 2002).

The first stage of primary data collection comprised the eight focus groups conducted with thirty-six Muslims to explore the relevance of a set of service quality items generated from the literature, generate new items and validate the descriptors and check the definitions of the words used. The discussions were facilitated by the researcher. All

groups were asked open questions to stimulate the discussion. Group discussions were conducted in English, but also Arabic (the researcher's mother tongue) was used to help define words and aid understanding. The researcher stopped conducting the focus groups when two consecutive groups failed to yield additional insights. Qualitative analysis methods were used to analyse focus group. A template is essentially a list of codes or categories that represent the themes revealed from the data that have been collected (Saunders et.al, 2003). Data from the focus group discussions were coded and analysed to identify and explore themes, patterns and relationships. Miles and Huberman (1994) state that when we say something that is important or significant or recurrent, we have come to that estimate, in part, by making counts, comparisons, and weights. Therefore, after identifying the themes from the focus group discussions, the researcher counted the words and the statements that were mentioned and considered the context in which they occurred.

Analysis of the transcripts identified additional Islamic banks' service quality items, which were combined with the banking service quality items from the literature to produce a final set of thirty-four proposed service quality items to be tested and used within English Islamic banks.

#### **4.7 Research questionnaire**

Using a questionnaire as a survey tool has been chosen as a means of primary quantitative data collection. It is accepted that the use of a questionnaire as a method for gathering data is suitable for market research especially for the financial industry, which most concerns perception, and beliefs.

1-Questionnaires are suitable for estimating what people are thinking about particular issues such as Islamic banks' services in UK and measuring their response towards service and product development in the financial industry.

2-The questionnaires were distributed by hand to the UK Muslims through Islamic centres, Islamic institutions, and in front of Islamic banks' doors. The study questionnaire was prepared and distributed to two groups of Muslims in UK. The two groups are Islamic bank account holders and non-Islamic bank account holders. Following a pilot, questionnaires were distributed by hand to Muslims in ten cities with significant Muslim populations (Dar, 2005). Questionnaires were distributed during Ramadan at locations where Muslims are known to congregate, e.g. Mosques, Muslim community centres and Islamic banks. To avoid bias, questionnaires were also distributed at supermarkets, shops, restaurants, cafes, buses, parks etc. All respondents were asked to rate each of the 34 items according to importance on a 5-point Likert scale. Questionnaires were analysed using SPSS. Exploratory factor analysis (Principle Component) was used with Varimax rotation and Kaiser Normalisation.

#### **4.8 Research questionnaire items**

The 34 questionnaire Likert scale items (34 items) were compiled from;

1-The most popular assessment tool of service quality, SERVQUAL, developed in 1990 and its adaptation, CARTER developed in 2003.

2-Other theoretical research studies, related to this study, in which SERVQUAL was examined and developed.

3-The group discussion (focus groups from Muslim community) to investigate more items resulting from their different cultural backgrounds and Muslim mind.

#### **4.9 The pilot study (pre-test questions)**

Piloting and pre-testing questions is always desirable, but not solely to do with trying to ensure that the survey questions operate well; piloting also has a role of ensuring that the research instrument as a whole functions well (Bryman and Bell, 2003). Bryman and Bell also state that pilot studies may be crucial in relation to research based on self-completion questionnaires.

This research pilot study was conducted with the co-operation of twelve randomly selected Muslims. Seven of the respondents were non-Islamic bank account holders and five of them were Islamic bank account holders. The respondents' demographic descriptions were as follows: Islamic bank account holders were found to be between 30–40 years of age, three were female and two were male, four married and one single. In term of education, Islamic bank account holders were in the secondary school and above or above degree categories. Non- Islamic bank account holders were in the age group 30-51, four male and three female, five married and two single, and their qualifications were university degree and above.

The pilot study was used to test the questionnaire items in terms of clarity, layout, length and time, before distribution. All respondents answered the research questionnaires in the presence of the researcher, and whenever they asked for further understanding, the researcher clarified it.

As a result of the pilot test, the questionnaire phrases were simplified and some questionnaire items were clarified more. Furthermore, the Likert scale measurement

names needed to be simplified and the questionnaire also needed to be translated into Arabic, as required.

#### **4.10 The study variables**

In this section, the independent and dependent variables are introduced as follows:

1-The independent variables are the ones that influence the dependent variables in either a positive or a negative way. In this study, the independent variables are demographic variables.

2-The dependent variables are variables that are influenced by independent variables; these will include the choice of Islamic bank account (IBAH) or non-Islamic bank account (NIBAH) and the service quality items.

##### **4.10.1 Demographic variables and measurement**

1-Gender: the respondents' sex defined as male or female and measured by selecting one of the two categories.

2-Age: the respondents' age, measured by selecting the respondent's age group from among six age categories; after filtering there were recoded to four categories: up to 30, 31-40, 41-50, and 51 plus.

3-Education: the highest qualification level the respondent has obtained, measured by asking the respondents to select their qualification from among eight groups. Considering statistical analysis these groups were recoded to four groups: below secondary school, secondary school and above, university degree, above degree.

4-Level of income: the respondents' annual gross income range was measured by asking the respondents to select their income level from among the four groups: less than £10000, £10000-£20000, £20000-£35000, over £35000.

5-Marital status: the social status of the respondents categorised into married, single, or other. For analysis purposes marital status was recoded and measured by categorising into two groups; married and single. As, there were only two respondents in the other category, for analysis purposes they were considered as single.

6-Nationality: the nationality of respondents was an open question, the answers were grouped manually and recoded according to four major groups; British, Arab, Asian, Others.

7-Ethnic origin: the original background and culture of respondents was measured by asking respondents to write their origin, this was then recoded and categorised among four groups; British, Arab, Asian, Others.

8-Occupation: the sector respondents worked in was categorised into ten groups and measured by asking respondents to select their category. There were recoded to five groups; unemployed, student, semi skilled, managerial, professional.

#### **4.10.2 Service quality variables and measurement**

The multidimensional instrument developed mainly by Parasuraman et al. (1985; 1988; 1990; 1991; 1993; 1994) and Othman (2003) is used as a guide to develop the measurement of service quality variables in this study. In addition, the focus group

analysis results identified new items of Islamic service quality variables, giving 34 items used in developing SERVQUAL variables for English Islamic banks. The items measured respondents' importance, expectations, and perceptions using a 5-point likert scale. The items are categorised into seven operational groups presented below, together with the questions numbers:

1-Service is measured using four items: bank runs according to Islamic Law, wide range of Islamic products (e.g. Islamic mortgage, Islamic current account), wide range of services (e.g. financial advisor), low service charges with four questions (1, 2, 3 and 4).

2-Convenience is measured using three items: convenient bank location, number of cash machines available, convenient opening hours with three questions (5, 6 and 7).

3-Efficiency is measured using four items: short waiting time in bank, bank resolves the problem quickly, speed of transactions, efficient transactions, with four questions (8, 9, 10 and 11).

4-Communication is measured using three items; clear communication (e.g. clear statement, clear explanation and answers), accurate bank statement, and easy bank to deal with, using three questions (12, 13 and 14).

5-Employees are measured using five items: employees give you individual attention, friendly employees, polite employees, knowledgeable employees, helpful employees with five questions (15, 16, 17, 18 and 19).



6-Security is measured using eight items: bank size, well known bank, bank reputation, secure banking, confidentiality of customer information, safe from political action, confidence in bank's management, confidence in bank's Sharia advisors, with eight questions (20, 21, 22, 23,24,25,26 and 27).

7-Physical attributes are measured using seven items: bank has modern-looking equipment, bank's building has Islamic architecture, separate department or counters for ladies, bank has a prayer room, bank has an Islamic appearance, female staff wear Hiejab, closing for Friday prayer time with seven questions (28, 29, 30,31,32,33 and 34)

#### **4.11 Study hypotheses**

The researcher aims to test four main hypotheses, each of which has a number of sub-hypotheses. There are all listed below:

H1: There is a significant role of demographics in customers' choice between an Islamic bank account and a non-Islamic bank account

- H1a: There a significant link between gender and customers' choice between an Islamic bank account and a non-Islamic bank account
- H1b: There a significant difference between the ages of Islamic bank account holders and non-Islamic bank account holders.
- H1c: There a significant difference between the educational levels of Islamic bank account holders and non-Islamic bank account holders
- H1d: There a significant difference between the gross annual incomes of Islamic bank account holders and non-Islamic bank account holders

- H1e: There a significant link between marital status and customers' choice between an Islamic bank account and a non-Islamic bank account.
- H1f: There a significant link between nationality and customers' choice between an Islamic bank account and a non-Islamic bank account.
- H1g: There a significant link between ethnic origin and customers' choice between an Islamic bank account and a non-Islamic bank account
- H1h: There a significant link between occupation and customers' choice between an Islamic bank account and a non-Islamic bank account

H2: There is a change in SERVQUAL within the English Islamic banking system. OR/

H2: There is a service quality model for English Islamic banks

H3: There is customer satisfaction with the English banking system.

H4: There is a significant difference between Islamic bank account holders' opinions and non-Islamic bank account holders' opinions

- H4a: There is a significant difference between the level of importance attached to service quality items by Islamic bank account holders and non-Islamic bank account holders.
- H4b: There is a significant difference between Islamic bank account holders' expectations and non-Islamic bank account holders' expectations.

#### **4.12 Statistical analysis**

By using the Statistical Package for Social Science (SPSS) software, the data of the study were analysed. Non-parametric techniques were used. Pallant (2007) reported that non-parametric techniques are ideal for use when you have data that are measured in nominal (categorical) and ordinal (ranked) scales. The statistical techniques were used in the study to test the hypotheses above.

#### **4.12.1 Descriptive analysis**

Frequency distributions were used to show the frequency of demographic data. In the study, they were used for description of the respondents' demographics, IBAH and NIBAH demographics, and why respondents choose either banking system, explaining reasons for opening an Islamic bank account and reasons for not opening an Islamic bank account.

Crosstabulation and Chi-Square tests were used on non-parametric data, which were measured in a nominal scale. In this study, they were used to test for independence between IBAH and NIBAH, and gender, marital status, nationality, ethnic origin, and occupation. These methods are used to test hypotheses H1a, H1e, H1f, H1g, and H1h set out in section 4.3.

#### **4.12.2 Mann Whitney Test**

The Mann-Whitney test may be used on non-parametric data that have been ranked at the ordinal level. Curwin and Slater (2002) state that the Mann-Whitney test may be used to test for a significant difference between two samples that are independent and may be of different sizes. In this study, Mann-Whitney was used to test:

1-Differences between Islamic bank account holders (IBAH) and non-Islamic bank account holders (NIBAH) in age, education, and gross annual income, which are hypotheses H1b, H1c, and H1d set out in section 4.13.

2-Differences between Islamic bank account holders (IBAH) and non-Islamic bank account holders (NIBAH) in importance and expectation, which are hypotheses H4a and H4b in section 4.13.

#### **4.12.3 Factor analysis**

This is used for data reduction. Factor analysis can be used to determine the number of factors required to represent a set of variables. The main applications of factor analysis are to reduce the number of variables and to reduce structure in the relationship between variables that is to classify variables. Principal components factor analysis attempts to produce a smaller number of linear combinations of the original variables in a way that captures most of the variability in the pattern of correlations, and the variables are transformed into a smaller set of linear combinations, with all of the variance in the variables being used ( Pallant, 2005, and Field, 2005). In this study exploratory factor analysis (Principal Components Analysis (PCA)) is used to test hypothesis H2 in section 4.13 in order to identify the quality service items and dimensions of English Islamic banks.

#### **4.12.4 Wilcoxon Signed Ranks Test**

The Wilcoxon signed ranks test is used on non-parametric data have been ranked at the ordinal level. The test compares two conditions when the same participants take part in each condition and the resulting data are not normally distributed (Field, 2005). It is non-parametric test that is equivalent to the parametric dependent (or related samples) t-test. In this study, the Wilcoxon test is used to investigate the gap between expectations and perceptions in English Islamic banks' customers' evaluations. The Wilcoxon Test is used to test hypothesis H3a in section 4.13 which concerns the differences between Islamic bank account holders' expectations and perceptions and therefore customers' (Islamic bank account holders) reveals the extent of satisfaction.

## Chapter Five Group Discussions Findings

### 5.1 Introduction

Focus groups were conducted with British Muslims to explore the relevance of a set of service quality items generated from the literature and generate new service quality items that Muslims in the UK need. All groups were asked open questions to stimulate discussion. For example, what they liked/disliked about their bank, and how they judged good/poor service? What they want from Islamic banks? Group discussions were conducted in English, although Arabic was used to help define words and aid understanding. In addition, in this chapter the additional items identified by the groups are compared with the items from the literature to produce a final set of thirty-four items.

### 5.2 Participants description

Eight focus groups were conducted; all participants were selected from the Muslim communities in Bournemouth and London. In total thirty-six Muslims, living in the UK, took part with an average group size of four (See Table 5-1).

Table 5-1: Focus groups' details

<i>Group</i>	<i>Date of session</i>	<i>Number of people</i>	<i>Group description</i>	<i>place of session</i>
A	01/12/2005	4	Female	Islamic centre-Bournemouth
B	02/12/2005	4	Male & Female	Chaplaincy-Bournemouth University
C	03/12/2005	6	Male	Islamic centre-Bournemouth
D	04/12/2005	4	Female	Islamic centre-Bournemouth
E	04/12/2005	4	Male	Islamic centre-Bournemouth
F	09/12/2005	6	Male	Islamic centre- London
G	12/12/2005	5	Female	Federation of student Islamic society, London
H	14/12/2005	3	Male	Al-Muntada Al-Islami Trust- London

Of the thirty-six participants, the majority (27) were aged between 20 and 40 years old. 22 of the participants were male, while 14 were female, 21 of the participants have lived in England for at least 10 years or more, some for the whole of their lives. The majority of participants were highly qualified, 12 held a bachelor degree, 11 of them held at least a Masters with another 10 were holding college, high school and secondary school qualifications. Furthermore, the participants represented a mix of various professions, for example, lawyers, doctors, administrators, police, students, and housewives. 72 per cent of the 36 participants were married and willing to have home mortgages, according to their faith principles, if this were possible.

### **5.3 Discussions structure**

Focus group sessions began with an introduction in which the researcher thanked the participants for their participation, introduced herself, introduced the aim of the research, the reason for tape recording the session, and explaining how the data would be treated confidentially. Participants were asked to fill in forms providing basic demographic information about themselves, such as age, gender, qualifications and occupation (see appendix 6). At the end, the researcher thanked them for their participation and explained what will happen to the data. All the focus groups sessions were recorded and subsequently transcribed. In order to achieve the aims of the focus groups to identify any additional service items that participants might have, it is therefore important to know how they choose their bank and how they evaluate them. To check that the definitions of the items have been identified correctly, it is also important to keep asking what they meant when they explained their choices; e.g. “you said reliability was important, what exactly do you mean by reliability?” or, “how do you know when a bank is reliable and

when it isn't" (see appendix 7). The focus group discussion findings resulted in two main themes, which were used to build the research questionnaire.

## **5.4 Discussions' findings**

From the focus group discussions the following two main themes were identified:

### **5.4.1 Awareness:**

Awareness amongst the participants was found in two forms; firstly about the meaning of an Islamic bank, the difference between Islamic banks and non- Islamic banks, how Islamic banks work, what they offered, and what Islamic financial terms mean? Secondly, whether there are any Islamic banks in the UK and where. Some participants' statements show the two directions as follows:

1- Participants living in the UK from a young age were all unaware of the meaning of specific Islamic financial terms like Mudarabah, Murabaha, Ijarah, and the distinction between deferred payments in Islam (Bia Muaijal) and conventional mortgage or interest based loans. For instance;

*"I cannot see the difference between interest and what Islamic banks are doing, mathematically it is the same amount if not higher; it is only playing on words in my eyes, there is no difference; they only work under an umbrella of Islam" (C5)*

Participants who had previously lived in an Islamic country were aware of the basic financial terms of Islamic banking; this may be because they witnessed Islamic banks in their countries. However, they were still unaware of Islamic banks that operate in the UK market. One of participants explained the above, saying:

*“My son.... That paying cash down is different than paying in instalments! No doubt it is Halal and the decision has been made in Ijmah, regarding to the The Holy Quran and Sunna”. (C2)*

Another participant said:

*“According to my knowledge, Islamic bank, all the system working according to the Sharia, no interest, there is Mudarabah, Murabaha, may be easier for Muslim to practice” (C1)*

2-Participants were also found to be unaware of Islamic banks, their products; and further more about their locations. A number of the participants mentioned that they need more information about Islamic banks, because they are used to a tremendous amount of non-Islamic banks’ advertising whereby they become aware of various options offered by the market and end up buying those products and services. However, Islamic banks and institutions that offer Islamic financial products in the UK have not reached their customers. For instance, some participants said:

*“We do not hear about them, Subhan Allah, they are quiet. They should be more active” (A3). “If there is an Islamic bank, I would switch over straight away, I am not happy to have an account in Riba bank; I do not want to, I have been forced to have an account”(A4)*

#### **5.4.2 Service quality items**

An analysis of the transcripts from the focus groups identified 52 separate items (see Appendix 8). These items, together with the number of times each was mentioned, are listed in Table 5-2 below.



Table 5-2: List of the points mentioned in focus group discussions

<i>Points list</i>	<i>Number of Mentions</i>
Islamic law	16
Trustworthy management	14
Honesty	14
Trustworthy Sharia advisors	11
Bank reputation	8
Safe transaction	8
Accessibility	8
Islamic mortgage	8
Location of the branches	7
Advertising	7
Price	7
Clear their work (disclosure)	6
Clear statements	6
Trustworthy staff	6
Cash machines	6
Word of mouth	6
Halal resource of money	5
Accurate billing	5
Easy to deal with	5
Bank name	4
Knowledge of the staff	4
Waiting time	4
Keeping promises to work with free interest	3
Keeping promises to invest in Halal investment	3
Explain the services	3
Explain the cost of the services	3
Insurance	3
Information	3
Bank size	2
Fast transaction	2
Prayer room	2
Islamic appearance	2
Internet banking	2
Warm staff / polite	2
Safe to bank with	2
Customers best interests at heart	1
Islamic products provided	1
Services provided	1
Association with well known organization	1
Association with Islamic centres	1
Halal credit card	1
Follow customers(advertising)	1
Entrance for the disabled	1
Toilets	1
Friday prayer time	1
Ladies section	1
Islamic phone keep in hold (Islamic music)	1
High level of service	1
Machines	1
Famale staff	1
Provide Islamic loans	1
Good building	1

Similar items were grouped together to produce the reduced list of items shown in table 5-3.

Table 5-3: Points list reduction

<u>Points list</u>	<u>Number of Mentions</u>
Clear their work (disclosure)	6
Clear statements	6
<u>Information</u>	<u>3</u>
<b>Clear information</b>	<b>15</b>
Bank Reputation	8
<u>Word of mouth</u>	<u>6</u>
<b>Bank reputation and image (In terms of using Islamic law)</b>	<b>14</b>
Cash machines	6
<u>Machines</u>	<u>1</u>
<b>More cash points can be used</b>	<b>7</b>
Islamic appearance	2
<u>Good building</u>	<u>1</u>
<b>Islamic physical appearance</b>	<b>3</b>
Customers best interest at heart	1
<u>Follow customers</u>	<u>1</u>
<b>Customer focused</b>	<b>2</b>
Islamic products provided	1
Services provided	1
Provide Islamic Loans	1
Halal credit card	1
<u>Islamic Mortgage</u>	<u>8</u>
<b>Wide range of Islamic products -and services provided</b>	<b>12</b>

Therefore, the 52 items reduced to 42 items as shown in Table 5-4.

Table 5-4: Items identified from the focus groups.

<i>Items list</i>	<i>Number of mentions</i>
Compliance with Islamic law	16
Clear information	15
Confidence in Bank's management	14
Honesty / telling the truth	14
Bank Reputation and image( in term of using Islamic law)	14
Confidence in Bank's Sharia advisors	11
Security of banking and transactions	8
Accessibility	8
Convenient branch location	7
Advertising	7
Lower service charge	7
More cash points can be used	7
Confidence in Bank's staff	6
Halal source of money	5
Accurate billing	5
Easy to deal with/ open or access to account information	5
Bank familiarity	4
Knowledge of the staff	4
Convenience (short time for service)	4
Keeping promises to work with free interest	3
Keeping promises to invest in Halal investment	3
Explain the services / fit with Islamic law	3
Explain the cost of the services / It is Halal profit	3
Bank account insurance	3
Islamic physical appearance	3
Bank size in assets and capital	2
Speed and efficiency of transactions	2
Prayer room	2
Internet banking	2
Friendly / polite staff	2
Confidentiality of Bank	2
Customer focused	2
Wide range of Islamic products and services provided	2
Association with well known organization	1
Association with Islamic centres	1
Disabled person entrance	1
Toilets	1
Friday prayer time	1
Ladies section	1
High level of service	1
Female staff	1
External appearance	1

In order to give more understanding and easy description, the items in Table 5-4 above have been categorised or grouped into seven headings as follows:

1-Service: This includes the items raised by participants that concern service, such as compliance with Islamic law. What Muslims want first from their Islamic banks is for them to be compliant with Islamic law, otherwise there is no point in their operating side by side with non-Islamic banks in the market under Islamic name. This is can be concluded from some participants' statements:

*"I will put first one complains with Sharia law if the bank compliance with Sharia law this means reliable..." (B2)*

*"Want Islamic law in order. Politeness only for our money, I am looking for fairness, partnership is logical" (F3)*

*"I expect from my Islamic bank is to demonstrate me is they completely Halal, if not what is the point..." (D1)*

*"The contracts in Islamic banks accept increase of amount of money regarding to the time, this is forbidden, it is Riba, therefore they are not really Islamic" (H1)*

Participates were also concerned about Islamic banks keeping promises to invest in Halal investment, keeping promises to work without interest, and Halal sources of money.

These items are necessary for them, as some of their statements indicate:

*"Someone told us that they take money from some non Islamic way" (D2)*

*“How they can be Islamic in a banking system?”(G1)*

Participants also mentioned a wide range of Islamic products, such as Islamic loans, mortgages, and Hajj savings for instance:

*“My husband and me at the present situation we just want to have a loan. What happened if the Client wants to buy a home, will they give an Islamic mortgage? Eventually, I do want to buy a place have a house. Is it right, the bank can buy the house and you catch pay the bank, then you can get the ownership with Halal way...?”(D3)*

*“Should have saving system for Hajj” (A1)*

Some participants mentioned providing a wide range of services, for instance:

*“Help line all the time you need, have to be an adviser there, and like current western they have their services” (D3)*

*“It is good to have Internet banking” (G3)*

Another point raised by a few participants about service, was lower service charges, as Islamic banks are more expensive than non-Islamic banks. This may prevent customers from switching.

*“I do not like Riba but I like to be told the truth and not charging high price” (D1)*

*“The price comes on the order” (B3)*

*“Charge of transaction important” (A1)*

2- Convenience: this includes items that concern convenience such as: branch location, more cash points, opening hours and accessibility, all of which were mentioned by participants in the focus groups discussions, as some statements below indicate.

*“I have in my country Islamic bank and cannot use it is because it based out of my city, so I use non Islamic bank “(G2)*

*“When I arrived to this country, I heard this is near and good facilities” (C2)*

*“Accessibility is good issue” (E1)*

*“No branches here, no cash machines” (A4)*

3- Efficiency: This includes the following items, which concern high level of service, speed and efficiency of transactions, short time for service, and accurate billing. The following statements are examples from some participants:

*“Accuracy in the statements is important” (H1)*

*“...Short time to service, as well” (H2) and (G2) and (A2)*

*“I like to have fast transaction “(A1)*

4-Communication: Participants mentioned that if Islamic banks explain how they mobilise and utilise their money, this will convey confidence to the Muslim community. Participants need to have clear information, explanations of the cost of the services and how Islamic banks gain Halal profit, explanations of the services and how these services fit with Islamic law, all this is can be achieved by improving communication techniques.

From the focus group discussions, twenty-one of the participants wanted to know how Islamic banks' investments and their financial services comply with Sharia law. For instance, consider the following quotations:

*"We need to know more what they are doing with our money" (A2)*

*"..Tell Muslims more about themselves; disclose their results and their investments..." (G5)*

*"Then I would like to see they set up, or to inform me that they based on Sharia, document, bank statement, just making you feel they are not pay Riba, even they have some Hadith they show you. Where Islamic, this is Hadeith." (D1)*

*"Cannot understand how they make profit" (F6)*

*"When I am sure about them, I will deal with them; we need to know a lot about them..." (F5)*

*"HSBC, conventional bank, how can offer Islamic? More contact with the customer needed; we cannot rely on Islamic banks unless they are defiantly Islamic, I think should at least have some sort of standing in the market to trust, some sort of standing based on sharaiah, let people know about" (D3)*

*"They should be clear about their work ..." (B4) and (C1)*

*"My husband and I think that the money in Islamic banks is not from Halal resource ...we are concerned (about the way of getting their money)" (D2)*

Participants mentioned how easy the bank is to deal with, and the ease of opening or access to account information, as some of them faced difficulties when they wanted to open an account. Advertising and customer-focused service were two other issues raised by participants. Items concerning these issues are revealed in the following examples of the participants' statements:

*"They do not pay attention for small people; I think they targeted business."*(A4)

*"Need to be proved follow the customer and treat Muslims as British do, explaining lots of advertise"* (G5)

*"They need more advertise they are quiet, Subhan Allah"* (A3)

*"It is not easy to transfer an account to Islamic bank"* (G5)

*"Complicated system when the customer opens an account"* (C6)

*"I like bank easy to deal with"* (G3)

5- Employees: This concerns the characteristics of the staff in Islamic banks. Participants have mentioned the need for friendly, polite staff, knowledgeable staff in terms of Islamic law, and having confidence in bank's staff. The following statements are an example from some participants:

*"Staff has to have understanding of the law"* (E3)

*"Knowledge of the staff is important"* (A2)

*"I used to be with Natwest, they have very good customer services .... When we queue there is lady comes to ask you if you need any help."*(D1)



*“I like to feel people really warm, and plug us, they helping me from the heart, really honest people, really polite, really kind. I want to feel like really enjoy having bank account here” (D1)*

*“I care much staff honesty” (B4)*

6- Security: Trust was found to be the biggest concern of the participants, where they mentioned that they do not feel secure and confident in the bank's management, Sharia scholars, and political actions from western governments. Participants mentioned that trust of Islamic banking comes from association with Islamic centres, association with well-known organisations, big bank size in assets and capital, and bank account insurance. In addition, participants mentioned the confidentiality of the bank, honesty, telling the truth, the bank's reputation and image (in term of using Islamic law), bank familiarity, security of banking and transactions, and confidence in the bank's Sharia advisors. Some participants for instance said:

*“They should come to Imams and explain how they make it halal so people can get information easily” (A2)*

*“I think they should at least have some sort of standing in the market to trust , some sort of standing based on sharia ..” (D3)*

Peoples' confidence in the Sharia scholars is the bedrock of Islamic banking. If the Sharia scholars lose the confidence of the people, Islamic banking will have a sad end (New Horizon, 2005). Sharia scholars play an important role in the development of the Islamic banking system. As a result, this provides Muslims with the confidence that the scholars

were leading the system in the right direction. There is a question in each Muslim mind by those who wish to practice their faith, whether in a Muslim country or a non-Muslim country, which is how Islamic banks' operations are in accordance with the spirit of Islam or that are they merely following the conventional system with a few changes here and there? Getting an 'all clear' from Sharia scholars must be open for discussion and customers have a right to know the facts about the operations. Are the Sharia scholars capable of handling the complex financial system and keeping the operation Islam compliant?

Therefore, the scholars should win customers' confidence. This will reflect on Islamic banks if they want to win customers' confidence they should work closely with high profile and capable Sharia scholars, who are already well known by Muslims. In this research, a sizeable number of participants raised questions that concerned them and asked, for example:

*"With whom do they work, we want to know the names, who they are, who paid them, are they paid by the bank? Then I would think they work for them, they are not independent."*(A2)

*"If I speak to one adviser, they do not fool me to tell me 'ok do not pay Riba, but then they charge me a lot more money. I expect my Islamic bank to demonstrate to me that they are completely Halal I want to go for one bank, I want to make sure that is completely Halal,"*  
(D1)

*"I cannot trust the Islamic banks or new banks in general. They use our faith to get our money" (F1)*

*“Do not think that any difference. Bad reputation from the Gulf Islamic banks therefore cannot trust them; cannot understand how they make profit” (F6)*

*“Bankruptcy in one Islamic bank about 5 or 10 years ago make them cannot trust them” (A2)*

*“It is new name to use, political responses, no guarantee about the future” (H1)*

*“Important to have security with all the fraud today, you know.”(A1)*

*“I do not know about England but in USA and Canada the government insure every one personal bank account, Insurance something I used to.”(B3) and (A1)*

*“When I make sure about them, I will deal with them. We need to know a lot about them” (F5)*

*“Security is important too” (G2)*

However, a few participants were more trusting; they trust scholars and believe that it is their responsibility in front of God.

*“I would go for them and trust them, as long as they work under Islamic law“(B1)*

*“Why we are looking to every lane on them? Our money is in non Halal already, we should trust them” (A4)*

7- Physical attributes: This concerns physical appearance, such as external appearance, female staff wearing Hijab, a ladies' section, bank having a Prayer room, bank closure for Friday prayer time, bank having toilets, disabled person entrance, and Islamic physical appearance (internal and external). Participants mentioned to the above items through their statements, for instance:

*“I would like to see Islamic bank, I like to feel people really, really Islamic....wearing Hijab, I like to feel people really warm, belong us they helping me from the heart, really honest people, really polite, really kind. I want to feel like really enjoy having bank account here. I would like from tomorrow to go to Islamic bank, because I would like to open an Islamic bank account, first I would like to speak to lady, like to deal with women not men to feel free” (D1)*

*“To appear as Islamic in their add, to have ladies section, have prayer room, closing in Friday prayer” (A1)*

*“I can imagine they will have good building” (H1)*

*“It is good to find disable entrance” (H2)*

*“I have an Islamic account with Islamic bank of Britain; they have Islamic music when they put you in hold” (H2)*

Two participants contribute this item *“To see Muslim staff” (A4) and (B1)*. However, this item *“Muslim staff”* was not included, because other participants disagreed, for instance participants said;

*“They are employees, they are doing their job regarding they are Muslim or not, they have procedure, they have to follow it like one day prepare statement whether Muslim or non Muslim they can do it. Nothing to do with Muslim or non Muslim, it does not matter, the policies still the same” (A2)* Another said, *“Yes, yes, you cannot do it here” (A3)*

It is important to remember that the above seven headings are used only to gather some items together, so that bringing evidence from the discussions will be easier. These are therefore not service quality dimensions, which the study will show later in chapter seven.

#### 5.4.2.1 Islamic items

In this section, out of the 42 items, 23 items are identified as Islamic based (see Table 5-5). The most frequently mentioned item concerns Islamic Law, items concerning security and inserting confidence come second. A wide range of Islamic products and clear explanation to these products are the third most important concern of the participants. An Islamic physical appearance is the least important concern to them.

Table 5-5: Islamic items attribute

<i>Items list</i>	<i>Number of mentions</i>
Compliance with Islamic law	16
Clear information	15
Confidence in Bank's management	14
Honesty/telling the truth	14
Bank Reputation and image( in term of using Islamic law)	14
Wide range of Islamic products and services provided	12
Confidence in Bank's Sharia advisors	11
Security of banking and transactions	8
More cash points can be used	7
Confidence in Bank's staff	6
Halal source of money	5
Knowledge of the staff (Islamic)	4
Keeping promises to work with free interest	3
Keeping promises to invest in Halal investment	3
Explain the services/ fit with Islamic law	3
Explain the cost of the services/ the profit is Halal	3
Islamic physical appearance	3
Prayer room	2
Confidentiality of Bank ( political interfering )	2
Association with Islamic centres	1
Closing in Friday prayer time	1
Ladies section	1
Female staff	1

Despite the fact that some of the items in Table 5-5 have a small number of mentions, the researcher decided to retain them. This is because they are relevant to Islamic thought and as such these items make the difference between the service in Islamic banks and non-Islamic banks. To identify the questionnaire items (see appendix 9), the items listed above were compared with service quality items in the literature.

#### 5.4.2.2 General items

The remaining service quality items in Table 5-4 are considered as general service quality items that concern any bank, Islamic or non-Islamic. These are shown in Table 5-6.

Table 5-6: General items attribute

<i>Items list</i>	<i>Number of mentions</i>
Accessibility	8
Convenient branch location	7
Advertising	7
Lower service charge	7
Accurate billing	5
Easy to deal with/ open or access to account information	5
Bank familiarity	4
Convenience (short time for service)	4
Bank account insurance	3
Bank size in assets and capital	2
Speed and efficiency of transactions	2
Internet banking	2
Friendly / polite staff	2
Customer focused	2
Association with well known organization	1
Disabled person entrance	1
Toilets	1
High level of service	1
External appearance	1

The 19 service quality items listed in Table 5-6 are general attributes unrelated to Islamic attributes. These general items confirm with the service quality items that were gathered from the service quality literature reviewed in chapter three.

## **5.5 Conclusion**

In conclusion, this chapter aimed to explore and gather Islamic banking service quality items that the Muslim community in the UK need or want to have in their Islamic banks. These service quality items were expected to be new and different from the service quality items in the literature. Findings from eight focus groups showed that twenty-three service quality items were considered as new elements to the service in English Islamic banks; this is because of cultural differences (relating to both customers and organisations). Nineteen service items considered as general service quality items, concern both Islamic banks and non-Islamic banks. The Islamic service items were compared with the service quality items in the literature, in order to design the study questionnaire. In addition, findings showed that there is huge lack of awareness amongst participants; therefore, it is also important to consider awareness in the study questionnaire.

## **Chapter Six**

### **Findings of the Study Survey and Discussion**

#### **6.1 Introduction**

This chapter first describes the main characteristics of the study sample in Section 6.2. Then, in Section 6.3, the characteristics of the holders of Islamic and non-Islamic bank accounts are presented and compared. This leads in Sections 6.4 and 6.5 to a summary of the main reasons proposed by respondents for holding Islamic bank accounts and for not holding Islamic bank accounts. Finally, in Section 6.6, some important statistical results relating to the influence of a set of demographic variables (i.e. gender, age, education, income, marital status, nationality, ethnic origin and occupation) on respondents' choice between an Islamic bank account and a non-Islamic bank account are presented and discussed.

#### **6.2 Description of the study sample**

Three hundred and fifty customers and potential customers of Islamic banks in the UK cooperated with this study from the UK Muslim community. However, only 300 responses were found to be suitable for statistical analysis. The remaining fifty responses could not be used because of some missing answers in the questionnaires. In addition, some of the remaining fifty respondents seemed to think that there was no difference between the 'importance' and 'expectation' parts, so they only completed the 'importance' section of the questionnaire. In addition, even among the 300 questionnaires used in the analysis, not all questions were answered by all respondents.



Using eight demographic variables (gender, age, education, income, marital status, nationality, ethnic origin, occupation) for the respondents in the sample we can describe the study sample by using the results summarised in Tables 6-1 to 6-8.

Table 6-1: Description of the study sample-Gender

<i>Gender</i>	<i>Frequency</i>	<i>Percentage</i>
Male	172	58.3
Female	123	41.7

As we can see from Table 6-1, the total number of male respondents in the sample was 172 (58.3 per cent) and the total number of female respondents was 123 (41.7 per cent), making 295 valid responses. There is clearly some discrepancy between the male and female numbers. However, this discrepancy was not as wide as it might have been because of the UK's culture, which makes it as easy to meet Muslim females as to meet Muslim males. Also, according to the Office for National Statistics (ONS), Muslim men in the UK as a whole outnumber Muslim women – 52 per cent compared with 48 percent. Furthermore, the researcher found during the distribution of the questionnaires that female respondents tended to be more concerned about and interested in the survey than the male respondents.

Table 6-2: Description of the study sample-Age

<i>Age group</i>	<i>Frequency</i>	<i>Percentage</i>
Up to 30	144	48.8
31-40	93	31.5
41-50	45	15.3
51 plus	13	4.4

As we can see from Table 6-2, about 80 per cent of respondents in the sample were less than 40 years old; 15.3 per cent of them were between 41 and 50 years old and only 13 respondents (4.4 per cent) were above 51 years old. This relatively youthful distribution is

fairly representative of the UK Muslim population in which, according to the ONS in 2001, more than half of the over 16s were in the age group 16-34, while only about a third of the over 16s were in the age group 35-64.

Table 6-3: Description of the study sample - Education

<i>Education</i>	<i>Frequency</i>	<i>Percent</i>
Below secondary school	11	3.7
Secondary school and above	74	24.7
University degree	102	34
Above degree	113	37.7

With regard to the level of education, as Table 6-3 shows, there were 113 respondents in the above degree category (i.e. with professional, masters or doctoral qualifications) which represents 37.7 per cent of the respondents, while 102 held university degrees, and 74 were in the above secondary school category. Only 11 (3.7 per cent) of the respondents had no formal qualifications. Thus, 71.7 per cent of the respondents were highly educated. This seems to be quite a high percentage, given that according to the ONS, about a third of Muslims working in the UK in 2004 had no formal qualifications. It is possible that many of those with no qualifications do not hold bank accounts in the UK.

Table 6-4: Description of the study sample - Annual income

<i>Income</i>	<i>Frequency</i>	<i>Percentage</i>
Less than £10000	84	30.5
£10000-£20000	98	35.6
£20000-£35000	62	22.5
Over £35000	31	11.3

The data on annual income summarised in Table 6-4 shows that 11.3 per cent of the 275 valid responses had high annual incomes (over £35,000), while 58.1 per cent had moderate annual income (£10,000 to 35,000) and 84 respondents (30.5 per cent) earned

less than £10,000, which suggests that these 84 were mostly unemployed people or students.

Table 6-5: Description of the study sample - Marital status

<i>Marital status</i>	<i>Frequency</i>	<i>Percentage</i>
Married	155	51.7
Single	145	48.3

From Table 6.5, which shows marital status, we see that there were 155 married respondents in the study sample and 145 single respondents. From Table 6-6, which shows nationality, we see that out of 290 valid responses 64.1 per cent were British, while 35.9 per cent were non- British, which included 19.3 per cent Arab and 10 per cent Asian. There were only 6.6 per cent in the ‘other nationality’ category.

Table 6-6: Description of the study sample - Nationality

<i>Nationality</i>	<i>Frequency</i>	<i>Percentage</i>
British	186	64.1
Arab	56	19.3
Asia	29	10
Others	19	6.6

Table 6-7: Description of the study sample - Ethnic origin

<i>Ethnic origin</i>	<i>Frequency</i>	<i>Percentage</i>
British	26	9.1
Arab	102	35.7
Asia	117	40.9
Others	41	14.3

However, the distribution of ethnic origins summarised in Table 6-7 shows that out of 286 valid responses only 26 (9.1 per cent ) of the respondents were British originally, while

40.9 per cent were Asian, 35.7 per cent were Arab and 14.3 per cent had other ethnic origins.

Finally, the distribution of occupations summarised in Table 6-8 shows that out of 291 valid responses 39.9 per cent were professionals, 14.4 per cent were semi-skilled workers and 11.7 per cent were in managerial posts, 23.4 per cent of the respondents were students and 10.7 per cent were unemployed, including housewives and retired respondents.

Table 6-8: Description of the study sample - Occupation

<i>Occupation</i>	<i>Frequency</i>	<i>Percentage</i>
Not employed	31	10.7
Student	68	23.4
Semi skilled	42	14.4
Managerial	34	11.7
Professional	116	39.9

### **6.3 Description of Islamic bank account holders and non-Islamic bank account holders**

In this section, the characteristics of the holders of Islamic bank accounts and the holders of non-Islamic bank accounts are compared. In the overall sample, 94 respondents were Islamic bank account holders and 196 were non-Islamic bank account holders, but the number of valid responses varies slightly from characteristic to characteristic. For example, with regard to gender, it can be seen from Table 6-9 that 93 valid responses are Islamic bank account holders and 193 valid responses are non-Islamic bank account holders - this is because of four unanswered questions about gender.

It is clear from Table 6-9 that 34.7 per cent of the males in the sample were Islamic bank account holders, but only 29.4 per cent of the female respondents held Islamic bank

accounts. Thus, there seems to be a greater tendency to hold Islamic bank accounts among Muslim males than among Muslim females.

Table 6-9: A comparison of Islamic and non-Islamic bank account holders by gender

<i>Gender</i>	<i>IBAH</i>		<i>NIBAH</i>	
	<i>Frequency</i>	<i>%</i>	<i>Frequency</i>	<i>%</i>
Male	58	34.7	109	65.3
Female	35	29.4	84	70.6

Table 6-10: A comparison of Islamic and non-Islamic bank account holders by age

<i>Age group</i>	<i>IBAH</i>		<i>NIBAH</i>	
	<i>Frequency</i>	<i>%</i>	<i>Frequency</i>	<i>%</i>
Up to 30	38	26.8	104	73.2
31-40	34	37.8	56	62.2
41-50	17	40.5	25	59.5
51 plus	4	33.3	8	66.7

With regard to age, we can see from Table 6-10 that the highest proportion of Islamic bank account holders was found in the 41-50 age group (40.5 per cent), while the lowest proportion of Islamic bank account holders was found in the ‘up to 30’ age group (26.8 per cent). Therefore, on this evidence, it seems that younger Muslims are less likely to hold Islamic bank accounts than Muslims in the older age groups. However, the percentage of respondents aged 51 plus, who held Islamic bank accounts was only 33.3 per cent, though the total number in the sample in this age group was very small.

Table 6-11: A comparison of Islamic and non-Islamic bank account holders by education

<i>Education</i>	<i>IBAH</i>		<i>NIBAH</i>	
	<i>Frequency</i>	<i>%</i>	<i>Frequency</i>	<i>%</i>
Below secondary school	2	18.2	9	81.8
Secondary school and above	21	28.8	52	71.2
University degree	35	36.8	60	63.2
Above degree	36	32.4	75	67.6

From Table 6-11, which compares the two types of bank account holders by education, it can be seen that the highest proportion of Islamic bank account holders was found among those respondents with university degrees and higher qualifications (36.8 per cent and 32.4 per cent respectively), while the lowest proportion of Islamic bank account holders was found among those with ‘below secondary school’ levels of education (18.2 per cent). This seems to suggest that more educated Muslims are likely to have Islamic bank accounts than less educated Muslims.

Table 6-12: A comparison of Islamic and non-Islamic bank account holders by income

<i>Income</i>	<i>IBAH</i>		<i>NIBAH</i>	
	<i>Frequency</i>	<i>%</i>	<i>Frequency</i>	<i>%</i>
Less than £10,000	17	20.9	64	79.0
£10,000- £20,000	34	35.8	61	64.2
£20,000-£35,000	24	40	36	60
Over £35,000	13	41.9	18	58.1

Table 6-12 compares the number of Islamic and non-Islamic bank account holders by gross annual income. Given the sensitive nature of questions about income, it is not surprising that the number of valid responses was only 267 (comprising 88 holders of Islamic bank accounts and 179 holders of non-Islamic bank accounts). In this case, the proportion of Islamic bank account holders increases as we move from the lower to the higher income groups. As many as 41.9 per cent of respondents with annual incomes over £35,000 held Islamic bank accounts, while only 20.9 per cent of respondents with annual incomes of less than £10,000 held Islamic bank accounts. Thus, it seems that Muslims with higher incomes may be more likely to hold Islamic bank accounts than those with lower incomes.

Table 6-13: A comparison of Islamic and non-Islamic bank account holders by marital status

<i>Marital status</i>	<i>IBAH</i>		<i>NIBAH</i>	
	<i>Frequency</i>	<i>%</i>	<i>Frequency</i>	<i>%</i>
Married	64	42.4	87	57.6
Single	30	21.6	109	78.4

It can be seen from Table 6-13 that 42.4 per cent of married respondents were Islamic bank account holders, while only 21.6 per cent of single respondents' were Islamic bank account holders. So it seems that being married may increase the likelihood of holding an Islamic bank account.

With regard to nationality, we can see from Table 6-14 that 37.2 per cent of the respondents with British nationality were Islamic bank account holders, while only 20.8 per cent of the respondents with Arab nationalities and 17.2 per cent of those with Asian nationalities held Islamic bank account. However, regarding ethnic origin, we can see from Table 6-15 that only 25 per cent of British respondents held Islamic bank accounts, while higher proportions of respondents with Arab (28.6 per cent),

Table 6-14: A comparison of Islamic and non-Islamic bank account holders by nationality

<i>Nationality</i>	<i>IBAH</i>		<i>NIBAH</i>	
	<i>Frequency</i>	<i>%</i>	<i>Frequency</i>	<i>%</i>
British	67	37.2	113	62.8
Arab	11	20.8	42	79.2
Asia	5	17.2	24	82.8
Others	7	36.8	12	63.2

Table 6-15: A comparison of Islamic and non-Islamic bank account holders by ethnic origin

<i>Ethnic origin</i>	<i>IBAH</i>		<i>NIBAH</i>	
	<i>Frequency</i>	<i>%</i>	<i>Frequency</i>	<i>%</i>
British	6	25	18	75
Arab	28	28.6	70	71.4
Asia	42	36.5	73	63.5
Others	14	34.1	27	65.9

Asian (36.5 per cent) and other (34.1 per cent) ethnic origins held Islamic bank accounts. So it seems that although Muslims with British nationality are more likely to hold Islamic bank accounts than other Muslims, those with a British ethnic origin are less likely to do so. It may be that Muslims with British nationality but non-British ethnic origins are more determined to retain their cultural identity by using Islamic banking.

Table 6-16: A comparison of Islamic and non-Islamic bank account holders by occupation

<i>Occupation</i>	<i>IBAH</i>		<i>NIBAH</i>	
	<i>Frequency</i>	<i>%</i>	<i>Frequency</i>	<i>%</i>
Not employed	12	40	18	60
Student	12	17.9	55	82.1
Semi skilled	9	22.5	31	77.5
Managerial	16	48.5	17	51.5
Professional	40	35.7	72	64.3

Consistent with the results presented in Tables 6.11 and 6.12 on education and income, Table 6-16 on occupation shows that the workers more likely to hold Islamic bank accounts were in the managerial and professional categories (48.5 per cent and 35.7 per cent respectively), together surprisingly with the unemployed (40 per cent). The respondents least likely to hold Islamic bank accounts were students (17.9 per cent) and semi-skilled workers (22.5 per cent). The conclusions drawn from the results presented in



Tables 6-9 to 6-16 are tested formally by means of a series of non-parametric significance tests in Section 6.6 below.

#### **6.4 Reasons for holding an Islamic bank account**

Table 6-17: Reasons for holding an Islamic bank account

<u>Reason</u>	<u>Number of responses</u>
The use of “Islamic” in describing products and services	25
Transparency of conformity with Islamic principles	39
Awareness of benefits of Islamic banking	26
Trying to practice faith	65
Do not know	0
Other reasons	7

Table 6.17 lists the main reasons selected by the respondents for holding an Islamic bank account. The two most common reasons for holding an Islamic bank account were trying to practice their Muslim faith (which prohibits the payment of interest) and transparency of conformity with the principles of Islamic law. A total of 65 respondents selected the former, while 39 respondents selected the latter. Also important were awareness of the benefits of Islamic banking compared with non-Islamic banking (selected by 26 respondents) and the use of the word Islamic in describing the products and service (selected by 25 respondents). The 7 respondents with other reasons listed factors such as, fear of Allah punishment, no Riba /interest being taken nor given to their account, gaining Halal(i.e. lawful from an Islamic point of view) profit from their savings account, high charges with non-Islamic banking. It is clear that the majority of customers banked with Islamic banks for religious reasons. This is agree with Dar (2004) when he argued that the decision of UK Muslim to switch from non-Islamic bank to Islamic bank lies in the belief

that interest is prohibited and should be avoided. Moreover, it is important that the individual is convinced that the institutions and products operate in conformity with the Islamic principles. Metawa and Almosawi(1998) also assert that adherence to Islamic principles was the most important factor influencing the selection of Islamic banks in Bahrain.

### **6.5 Reasons for not holding an Islamic bank account**

Table 6-18: Reasons for not holding an Islamic bank account

<u>Reason</u>	<u>Number of responses</u>
Not aware of any Islamic banks or financial institutions offering Islamic banking products and services	62
No information on Islamic banking products and services	68
Not aware of benefits of Islamic banking	40
Not offered any Islamic banking services	66
Islamic banking is practised properly in Muslim countries only	12
Not interested	8
Do not know	30
Other reasons	0

Table 6-18 lists the main reasons selected by respondents for not holding an Islamic bank account. The three main reasons selected by more than 60 respondents each were lack of awareness of Islamic banks, lack of information in the market and not being approached by any Islamic institution. Lack of education concerning the benefits of Islamic banking was selected by 40 respondents and the view that Islamic banking is only practised properly in Muslim countries was selected by 12 respondents.

## **6.6 Demographic variables – significance test findings**

This section concerns the role of demographics in customer choice. To investigate whether there is a link between respondents' demographic variables (i.e. gender, age, education, gross annual income, marital status, nationality, ethnic origin and occupation) in their choice of bank account (Islamic bank account or non-Islamic bank account) a set of nonparametric tests, including the Chi-Square test (for nominal categories) and the Mann Whitney test (for ordinal categories) have been used.

The following general hypothesis is tested:

*H1: There is a significant role of demographics in customers' choice between an Islamic bank account and a non-Islamic bank account*

Testing hypothesis H1 means testing each demographic variable individually as follows:

### **6.6.1 Gender**

*H1a: There a significant link between gender and customers' choice between an Islamic bank account and a non-Islamic bank account*

A Chi-Square test was used to explore the role of gender in Muslims' banking choice. Is there a significant difference between Muslim males and Muslim females when it comes to the banking type choice? The study has found a corrected Chi-Square value of .67, with an associated significance level of .41, reported in Table 6-19. This means there is no significant difference between Muslim males and females in their choice of Islamic bank account or non-Islamic bank account. This result is confirmed by the insignificant likelihood ratio and linear-by linear association statistics also reported in Table 6-19. Thus, although the results reported in Table 6-9 suggested that Muslim males may be

more likely to hold Islamic bank accounts than Muslim females, this is not supported by the Chi-Square test result. Therefore, Hypothesis H1a is rejected.

Table 6-19 Chi-Square Test - Gender

	Value	Asymp. Sig. (2-sided)
Pearson Chi-Square	.896(b)	.344
Continuity Correction(a)	.670	.413
Likelihood Ratio	.901	.343
Linear-by-Linear Association	.893	.345
N of Valid Cases	286	

A Computed only for a 2x2 table

B 0 cells (.0%) have expected counts less than 5. The minimum expected count is 38.70.

### 6.6.2 Age

*H1b: There a significant difference between the ages of Islamic bank account holders and non-Islamic bank account holders.*

A Mann –Whitney U test was used to explore the role of Muslims’ ages on banking choice. Is there a significant difference in banking choice between different age groups? Do young/ old Muslims tend to hold Islamic bank accounts or to hold non-Islamic bank accounts? From Table 6-20, the Z value is seen to be -1.96 (rounded) with a significance level of .05. Therefore, there is a marginally significant difference in the ages of Islamic bank account holders and non-Islamic bank account holders.

Table 6-20 Mann-Whitney U Test - Age

	Age
Mann-Whitney U	7796.500
Wilcoxon W	26517.500
Z	-1.958
Asymp. Sig. (2-tailed)	.050

A Grouping Variable: Islamicbankaccount2

We saw in Table 6-10 that there seemed to be a tendency for younger Muslims rather than older Muslims to hold Islamic bank accounts, and this conclusion is supported (marginally) by the Mann-Whitney test result. Therefore, Hypothesis H1b can be accepted.

### 6.6.3 Education

*H1c: There a significant difference between the educational levels of Islamic bank account holders and non-Islamic bank account holders*

A Mann –Whitney U test was also used to explore the relationship between education and banking choice. Is there a significant difference between Muslims with different levels of education in their banking system choice? Do Muslims with higher/lower qualifications tend to hold Islamic bank accounts or to hold non-Islamic bank accounts? As shown in Table 6-21 the Z value was -0.67 with a significance level of .50 (rounded) which is higher than alpha value of .05, Therefore there is no significant difference between the educational levels of Islamic and non-Islamic bank account holders.

We saw in Table 6-11 that more educated Muslims seemed to be more likely to hold Islamic bank accounts, but this relationship is seen from the Mann-Whitney result to be not statistically significant. Therefore, Hypothesis H1c is rejected.

Table 6-21 Mann-Whitney U Test - Education

	highest Qualification
Mann-Whitney U	8789.000
Wilcoxon W	28095.000
Z	-.670
Asymp. Sig. (2-tailed)	.503

A Grouping Variable: Islamicbankaccount2

#### 6.6.4 Gross annual income

*H1d: There a significant difference between the gross annual incomes of Islamic bank account holders and non-Islamic bank account holders*

A Mann –Whitney U test was also used to explore the relationship between annual income and banking choice. Is there a significant difference between Muslims with different levels of annual income in their banking system choice? Do higher income earners tend to hold an Islamic bank account or to hold a non- Islamic bank account? We can see from Table 6-22 that the Z value was -2.69 (rounded) with a significance level of .007; which is less than .05. Therefore, there is a statistically significant difference between the incomes of Islamic and non-Islamic bank account holders.

Table 6-22 Mann-Whitney U Test - Income

	gross annual income
Mann-Whitney U	6353.000
Wilcoxon W	22463.000
Z	-2.686
Asymp. Sig. (2-tailed)	.007

A Grouping Variable: Islamicbankaccount2

Table 6-12 suggested that Muslims with higher incomes have a greater tendency to hold Islamic bank accounts while those with lower incomes have a greater tendency to hold non-Islamic bank accounts. This conclusion is supported by the Mann-Whitney test result reported in Table 6-22. Therefore, hypothesis H1d is accepted.

### 6.6.5 Marital status

*H1e: There a significant link between marital status and customers' choice between an Islamic bank account and a non-Islamic bank account.*

A Chi-Square test was used to explore the role of marital status among Muslims on banking choice. Is there a significant difference between married Muslims and single Muslims in banking choice?

Table 6-23 Chi-Square Test – Marital Status

	Value	Asymp. Sig. (2-sided)
Pearson Chi-Square	14.295(b)	.000
Continuity Correction(a)	13.361	.000
Likelihood Ratio	14.559	.000
Linear-by-Linear Association	14.246	.000
N of Valid Cases	290	

Computed only for a 2x2 table 0 cells (.0%) have expected counts less than 5. The minimum expected count is 45.06.

From Table 6-23, the corrected Chi-Square value is 13.36, with an associated significance level of 0.00 which is less than the alpha value of .05. This means there is a significant difference between married Muslims and single Muslims in their choice of bank account. This result is confirmed by the significant likelihood ratio and linear-by-linear association statistics also shown in Table 6-23.

The cross-tabulation shown in Table 6-13 suggested that there may be a greater tendency for married Muslims rather than single Muslims to hold Islamic bank accounts. This proposition is supported by the Chi-Square result reported in Table 6-23. Therefore Hypothesis H1e is accepted.

### 6.6.6 Nationality

*H1f: There a significant link between nationality and customers' choice between an Islamic bank account and a non-Islamic bank account.*

A Chi-Square test was also used to explore the role of Muslims' nationality on banking choice. Is there a significant difference between Muslims with different nationalities in their banking choice? Table 6-24 shows a Chi Square value of 8.44, with a significance level of .038, which is less than the alpha value of .05. This means there is a significant difference between nationalities in banking choice.

Table 6-24 Chi-Square Test - Nationality

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.440(a)	3	.038
Likelihood Ratio	8.972	3	.030
Linear-by-Linear Association	6.935	1	.008
N of Valid Cases	281		

0 cells (.0%) have expected count less than 5. The minimum expected count is 6.09.



From the cross- tabulation shown in Table 6-14, we concluded that there seemed to be a tendency for British Muslims to be more likely to hold an Islamic bank account than non-British Muslims. This is supported by the Chi Square results reported in Table 6-24.

Therefore, Hypothesis H1f is accepted.

### 6.6.7 Ethnic origin

*H1g: There a significant link between ethnic origin and customers' choice between an Islamic bank account and a non-Islamic bank account.*

A Chi-Square test was used to explore the relationship between ethnic origin and banking choice. Is there a significant difference between Muslims with different ethnic origins in their banking choice? Table 6-25 shows the results, which indicate that there is no significant difference between Muslims with different ethnic origins on their banking choice, as the Chi square test statistics is 2.206, with a significance level of .53 (higher than alpha value of .05), The Likelihood ratio and linear-by-linear association statistics support this conclusion.

Table 6-25 Chi-Square Test - Ethnic Origin

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.206(a)	3	.531
Likelihood Ratio	2.229	3	.526
Linear-by-Linear Association	.389	1	.533
N of Valid Cases	278		

0 cells (.0%) have expected count less than 5. The minimum expected count is 7.77.

From the cross- tabulation shown in Table 6-15, we concluded that there seemed to be a tendency for Muslims with a British ethnic origin to be less likely to hold an Islamic bank account. However, the Chi Square test results show that this tendency is not statistically significant. Therefore, Hypothesis H1g is rejected.

### 6.6.8 Occupation

*H1h: There a significant link between occupation and customers' choice between an Islamic bank account and a non-Islamic bank account*

Finally, a Chi-Square test was also used to explore the relationship between occupation and banking choice. Is there a significant difference between Muslims with different occupations in their banking choice (Islamic bank account or non-Islamic bank account)?

Table 6-26 Chi-Square Test - Occupation

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	13.560(a)	4	.009
Likelihood Ratio	13.931	4	.008
Linear-by-Linear Association	2.731	1	.098
N of Valid Cases	282		

0 cells (.0%) have expected count less than 5. The minimum expected count is 9.47.

As can be seen from Table 6-26, the Chi-Square value is 13.56 with a significance level of .009 which is less than the alpha value of .05. This means that there is a significant difference between Muslims with different occupations with respect to their banking choice (i.e. their choice to hold an Islamic bank account or to a hold non-Islamic bank account). This result is confirmed by the Likelihood ratio test (significance level 0.008),

but only marginally confirmed (at the 0.1 level) by the linear-by-linear association test statistic (significance level 0.098). From the cross-tabulation shown in Table 6-16, we concluded that there seemed to be a greater tendency for Muslims in the managerial and professional occupations to hold Islamic bank accounts and this view is supported by the Chi Square test results shown in Table 6-26. Therefore, hypothesis H1h is accepted.

## **6.7 Conclusion**

This chapter tried to look at the relationship between respondents' demographic variables (i.e. gender, age, education, gross annual income, marital status, nationality, ethnic origin and occupation) and their choice to hold either an Islamic bank account or a non-Islamic bank account. Using the Chi-Square test for nominal categories and the Mann Whitney U test for ordinal categories in order to investigate if there is a significant link between the respondents' demographic variables and their choice of bank account, the results were as follows:

There is a significant link between gross annual income, marital status, age, and nationality and UK Muslims' choice between an Islamic bank account and a non-Islamic bank account.

There is no significant link between gender, education, occupation, and ethnic origin and UK Muslims' choice between an Islamic bank account and a non-Islamic bank account.

Overall, the sample evidence suggests that younger, married Muslims with British nationality and higher incomes will be more likely to hold Islamic bank accounts than older, unmarried Muslims with non-British nationalities and lower incomes.

## **Chapter Seven**

### **EIBSQ and Customer Satisfaction**

#### **7.1 Introduction**

In this chapter, the statistical technique of factor analysis is used to develop a service quality model for English Islamic banking, and the model is operationalised in order to measure English Islamic bank account holders' satisfaction. Exploratory factor analysis is a technique for identifying clusters of correlated variables from a larger set of variables. In this study we start with the variables (or items) measured by the responses to the thirty-four questions in the questionnaire. The aim of factor analysis is to identify clusters of these items, within which the variables are correlated with each other. These clusters of variables (or subsets of the items) may measure some underlying characteristic or 'factor', which can be labelled appropriately. These will represent the factors of service quality for English Islamic banking. Finally using the Wilcoxon Signed Ranks test, we attempt to measure the degree of customer satisfaction with the service provided by English Islamic banks by comparing customers' expectations and perceptions.

#### **7.2 Developing a service quality model for Islamic banking in England (English Islamic Banking Service Quality model - EIBSQ)**

As discussed in chapter three (which considered the service quality literature), chapter four (on methodology) and chapter five (on the focus groups), the study proposes a set of service quality items (thirty-four) in English Islamic banks. These items have been compiled from the review of previous studies in the literature, including the original SERVQUAL model, modified SERVQUAL studies and from the focus group discussions. Therefore, the conceptual framework of this study is the EIBSQ (English

Islamic Banking Service Quality) model, based on proposed items of service quality, which are 34 items. The development of this model is designed to achieve the study's first main aim, which is "to develop a service quality measurement scale suitable to English banks from the perspective of the British Muslim community". To assess the dimensionality of EIBSQ, its 34 proposed items were analysed using factor analysis, which ensures that only significant and reliable factors load on a certain rotation method. Therefore, this test determines EIBSQ's construction, and how many items there are in each factor. By using the principle factor (component) (PF) method, and Varimax rotation with Kaiser Normalisation, EIBSQ's items are loaded as shown in Table 7-1 below. The findings are:

- All EIBSQ items are loaded on Varimax rotation; thus, they are computed for each factor as a new scale.
- EIBSQ items are found to be multidimensional variables, loaded in five factors; namely F1: Responsiveness, F2: Credibility, F3: Islamic Tangibles, F4: Accessibility, F5: Bank Image.

We can see from Table 7-1 that the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy exceeds the recommended value of 0.6 (Pallant, 2005, Field, 2005); it is found to be 0.925. This value suggests that the identified clusters are compact enough to ensure that the factor analysis will give distinct and acceptable factors, and the sample used was adequate. In addition, the Bartlett test was highly significant (sig. =0.000), which indicates that there are sufficient significant correlation coefficients to ensure that the factor analysis processes can be applied.

Table 7-1 KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.925
Bartlett's Test of Sphericity	Approx. Chi-Square	5300.336
	df	561
	Sig.	.000

Principal component factors analysis revealed the presence of five components factors with eigenvalues exceeding 1, explaining 16.48%, 15.96%, 11.57%, 10.96% and 10.08% of the variance respectively.

As shown in Table 7-2 below, most of the EIBSQ items were loaded with correlation coefficients of more than 0.50 , and only two items (‘easy bank to deal with’, ‘bank reputation’) were loaded with correlation coefficients less than 0.50 (0.48 and 0 .46 respectively). These two items loaded with F2 more highly than any other factors.

No interpretation difficulties were found - all EIBSQ items are the proposed 34 items, which loaded significantly on five factors.

Babakus and Bollor (1992) and Cronin and Taylor (1992) suggested that the service quality attributes, and models may depend on the type of industry being studied. Other researchers have identified SERVQUAL on the bases of the firm’s culture, products and services, technology and environment (Othman, 2001, 2002, 2003).

Table 7-2: Factor loading of EIBSQ

Items	F1	F2	F3	F4	F5
Friendly employees	0.739				
Polite employees	0.736				
Helpful employees	0.721				
Knowledgeable employees	0.715				
Employees give you individual attention	0.662				
Speed of transactions	0.633				
Bank resolves the problem quickly	0.615				
Efficient transactions	0.602				
Short waiting time in bank	0.534				
Confidence in bank's Sharia advisors		0.718			
Bank runs according to Islamic law		0.716			
Confidentiality of customer information		0.706			
Secure banking		0.662			
Accurate bank statement		0.620			
Confidence in bank's management		0.617			
Safe from political action		0.568			
Wide range of Islamic products		0.549			
Clear communication		0.542			
Easy bank to deal with		0.484			
Bank reputation		0.466			
Female staff wear hijab			0.865		
Bank has a prayer room			0.807		
Closing for Friday prayer time			0.787		
Separate department for ladies			0.725		
Bank has Islamic appearance			0.658		
Number of cash machine available				0.715	
Convenient opening hours				0.710	
Wide range of Islamic services				0.614	
Low service charges				0.607	
Convenient bank location				0.586	
Bank size					0.804
Well known bank					0.721
Bank's building has Islamic architecture					0.694
Modern looking equipment					0.639

Zeithaml and Bitner (2003) argued that service quality factors and their importance would vary across different cultural orientations. For instance, a culture such as Eastern culture with large power distance, collectivism, uncertainty avoidance and high masculinity will rate the reliability and responsiveness dimensions as less important and assurance as more important, in comparison to a culture such as Western culture with small power distance, and high individualism.

Therefore, if the target market has a follower cultural profile, service providers may want to emphasise training their employees to have professional knowledge and to be trustworthy to gain the trust of their customers, combined with tangibles and empathy to convey service quality.

In this study, EIBSQ is a model based on service quality attributes derived from the literature, in addition to new items suitable to the Islamic banking industry in the UK derived from focus group discussions. As seen in Table 7-2, the thirty-four items have loaded into five factors. F1 was found to have almost the same importance as factor F2- there was not a big distinction between them; their variances are 16.48 % and 16%. However, F2 is different from F3; the variances were found to be 16% and 11.57%. There is not much difference between F3 (11.57%) and F4 (10.9%). Factors F4 (10.9%) and F5 (10.08%) are the most alike.

The important result is that Islamic banks should pay attention to all five factors of service quality. They should give more focus to the items in F1, related to human skills, to increase overall service quality. A significant budget should be allocated to training and educating employees to improve their skills. The second factor, which is ‘assurance’, is



close to the first factor, thus Islamic banks' management need to pay almost the same attention to this factor. The other three are less important, but still provide significant information of service quality.

### **7.3 EIBSQ five factors' name and description**

As can be seen from Table 7-2 above, the key dimensions or factors of English Islamic banking service quality identified by UK Muslims (customers and potential customers) have been labelled in this study according to the nature of their items and their names in previous studies. The factors are labelled: responsiveness, empathy, Islamic tangibles, accessibility, and reputation. The first two factors, responsiveness and empathy, have a significantly greater edge in explaining English Islamic banking service quality, and are the most important to the surveyed UK Muslims than the other identified dimensions or factors, including Islamic tangibles, accessibility, and reputation. This is indicated by the relative amount of variance in the generated data accounted for by each of the revealed factors. As stated above, factor 1 and factor 2 accounted for 16.48 % and 16% respectively, while factors 3, 4, and 5 respectively accounted for 11.57%, 10.9%, and 10.08%.

The five factors have been labelled according to how earlier studies identified each dimension and what each dimension includes. Table 7-3 below shows EIBSQ's items in earlier models relevant to this study, which are CARTER and SERVQUAL and how they categorised each item.

Table 7-3: Previous description to EIBSQ items

<i>EIBSQ Items / 5 Factors</i>	<i>SERVQUAL/10&amp; 5 Factors</i>	<i>CARTER/6 Factors</i>	<i>EIBSQ Factors</i>
1- Friendly employees.	Courtesy (assurance)	assurance	Responsiveness
2- Polite employees.	Courtesy (assurance )	assurance	Responsiveness
3- Helpful employees.	Courtesy (assurance )	responsiveness	Responsiveness
4- Knowledgeable employees.	Competence (assurance)	Assurance/ responsiveness	Responsiveness
5- Employees give you individual attention.	Understanding/ Knowing the customer	responsiveness	Responsiveness
6- Speed of transactions.	responsiveness	tangibles	Responsiveness
7- Bank resolves the problem quickly.	responsiveness	responsiveness	Responsiveness
8- Efficient transactions.		tangible	Responsiveness
9- Short waiting time in bank.	access(empathy)	reliability	Responsiveness
1- Confidence in bank's Sharia advisors.			Credibility
2- Bank runs according to Islamic Law		compliance with Sharia law	Credibility
3- Confidentiality of customer information.	security(empathy)	empathy	Credibility
4- Secure banking.	security (empathy)		Credibility
5- Accurate bank statement.	Reliability		Credibility
6- Confidence in bank's management		empathy	Credibility
7- Safe from political action.			Credibility
8- Wide range of Islamic products (e.g. Islamic mortgage, Islamic current account).		Compliance with Sharia law	Credibility
9- Clear communication (e.g. clear statement, clear explanation and answers).	Communication (assurance)		Credibility
10- Easy bank to deal with.	access (empathy)		Credibility
11 - Bank reputation.	credibility empathy	empathy	Credibility
1- Female staff wear Hijab.			Islamic Tangibles
2- Bank has a prayer room			Islamic Tangibles
3- Closing for Friday prayer time.			Islamic Tangibles
4- Separate department or counter for ladies.			Islamic Tangibles
5- Bank has an Islamic appearance		tangibles	Islamic Tangibles
1- Number of cash machines available.	access (empathy)		Accessibility
2- Convenient opening hours.	Access (empathy)	tangibles	Accessibility
3- Wide range of services (e.g. financial advisor).		reliability	Accessibility
4- Low service charge.		empathy	Accessibility
5- Convenient bank location.	access (empathy)	empathy	Accessibility
1- Bank size.	credibility (empathy)	empathy	Bank Image
2- Well known bank.	Credibility (empathy)	empathy	Bank Image
3- Bank's building has an Islamic architecture.	Tangibles	tangibles	Bank Image
4- Bank has modern-looking equipment.	Tangibles		Bank Image

Now considers each of the five factors in turn.

**Factor 1, Responsiveness:** This factor is the strongest among the five. It represents importance level of SQ items that English Muslims want to see in the English Islamic banks. identified in the Oxford dictionary as the quality of being responsive; reacting quickly; as a quality of people, it involves responding with emotion to people and events. Authors identified responsiveness in terms of staff being willing to help the customers and provide prompt service; it is communicated to customers by the length of time they have to wait for assistance, answers to questions, or attention to problems. (Parasurman et al., 1985-1994; Jabnoun and Al Tamimi, 2003; Jun et al., 2001; Lam, 1999 ; Surshchandar et al., 2003; Newman, 2001; Zeithaml and Bitner, 2000, 2003). In addition, Othman's study (2003) identified responsiveness as knowledge of customer's business or willingness to help, the way staff members treat their customers, and fast counter service. F1 responsiveness in EIBSQ contains a combination of items that are related to both assurance and responsiveness. It includes the following nine items: friendly employees; polite employees; helpful employees; knowledgeable employees; employees give you individual attention; speed of transactions; bank resolves the problem quickly; efficient transactions; short waiting time in bank.

**Factor 2, Credibility:** This factor was identified by Parasurman et al. (1994) in terms of trustworthiness, believability, honesty and reputation, with customers' interests at heart, bank name and reputation, personal characteristics of contact personal, the degree of hard sell involved in interactions with the customer. As well, as understand of individual need and problems.

This factor is likely to be important for services that customers perceive as involving high risk or where they feel uncertain about their ability to evaluate outcomes. The following

eleven items contribute to credibility: confidence in bank's Sharia advisors; bank runs according to Islamic law; confidentiality of customer information; secure banking, accurate bank statement; confidence in bank's management; safe from political action; wide range of Islamic products; clear communication; easy bank to deal with; bank reputation. According to factor analysis, there is not much difference in importance between F1 responsiveness and F2 credibility, as their variances are 16.48% and 16% respectively. This result supports Jabnoun and Al Tamimi (2003) study concerned with UAE commercial banks, where they also found similarities between these two dimensions/factors.

**Factor 3, Islamic Tangibles:** Researchers such as Parasurman et al., 1988, 1991, Zeithaml and Bitner 2000, 2003 and Jabnoun and Al Tamimi. 2003 defined tangible as the appearance of physical facilities, equipment, personnel, and communication materials. Othman (2003) included among the tangibles the external appearance, such as the opening hours of operations. The following five items contributed to Islamic tangibles: female staff wear hijab; bank has a prayer room; closing for Friday prayer time; separate department for ladies; bank has Islamic appearance.

**Factor 4, Accessibility:** This can be taken to refer to the ease of access to services and their timely delivery (Parasurman et al., 1994). Also, approachability and easy of contact are relevant. Parasurman et al. includes access in empathy. The following four items contributed to accessibility: number of cash machine available; convenient opening hours; wide range of Islamic services; low services charge; convenient bank location.

**Factor 5, Bank Image:** This may be identified in terms of the image and reputation that enable a bank to proactively define itself for its customers (physical /external reputation). Gronroos (1988) developed five key dimensions of service quality; reputation and credibility was the second of these. In EIBSQ, the following four items contributed to Bank Image: bank size; well-known bank; bank's building has Islamic architecture; modern looking equipment.

#### **7.4 Using EIBSQ to measure customer satisfaction**

The EIBSQ (English Islamic Banking Service Quality) model is a designed tool to measure and evaluate service quality in English Islamic banks. The tool scale, consisting of thirty-four pairs of questions (or items), is based on the concept that the difference between a consumer's perceptions and expectations of the service drives the judgement about the quality of service (SERVQUAL approach). The market research group (Parasurman et al., 1994) identified the difference between customers' expectations and perceptions using three possible directions to define how customers perceive service quality:

1. Quality exceeds expectations (i.e.  $\text{expectations} < \text{perceptions}$ , resulting in a positive (+) difference).
2. Quality is acceptable ( $\text{expectations} = \text{perceptions}$ , resulting in a zero difference).
3. Quality is unacceptable or less than satisfactory ( $\text{expectations} > \text{perceptions}$ , resulting in a negative (-) difference and a service quality or satisfaction gap).

Therefore, customers will be satisfied if the difference is positive or zero and customers will not be satisfied if the difference is negative. In this study, the EIBSQ scale has been

used to measure how the Muslim community in Britain perceives Islamic banks' services.

The following hypothesis is tested:

*H3: There is customer satisfaction with the English Islamic banking system.*

In order to test this hypothesis, the Wilcoxon Signed Ranks Test has been used to test for statistically significant differences between IBAHs' (Islamic bank account holders) perceptions and their expectations. The results are shown in Table 7- 4, where there is a significant negative difference between IBAHs' perceptions and their expectations within twenty six items (i.e. the significance level of the Z value is less than 0.05 for these items).Further, the table shows that for the majority of the twenty six items, the difference is highly significant (sig. =0.000) Therefore, twenty six service quality items from the EIBSQ thirty four service quality items are perceived to exhibit less quality, which means a negative perception, unacceptable quality or dissatisfaction. Thus, the study results suggest that a quality gap (or overall satisfaction, gap) exists in English Islamic banking. The overall satisfaction gap may exist because of failures in one, two, three or all five of the service quality factors. However, the significant items shown in Table 7-4 are all items in factors 1 to 4.

Table 7-4 Results of Wilcoxon Signed Ranks Test

<i>Service quality items</i>	<i>Z value</i>	<i>Significance level, Asym.Sig(2-tailed)</i>
1-Bank runs according to Islamic law	-5.139	.000
2-Confidentiality of customer Information	-3.667	.000
3-Secure banking	-3.462	.001
4-Confidence in bank's Sharia advisors	-4.285	.000
5-Clear communication	-4.594	.000
6-Knowledgeable employees	-4.487	.000
7-Easy bank to deal with	-4.197	.000
8-Efficient transactions	-4.017	.000
9-Helpful employees	-2.270	.023
10-Accurate bank statement	-3.896	.000
11-Bank resolves the problem quickly	-4.645	.000
12-Confidence in bank's Management	-3.238	.001
13-Wide range of Islamic products	-4.091	.000
14-Friendly employees	-2.029	.042
15-Speed of transactions	-4.264	.000
16-Safe from political action	-2.471	.013
17-Number of cash machine available	-3.871	.000
18-Convenient bank location	-3.562	.000
19-Wide range of Islamic services	-3.521	.000
20-Bank reputation	-2.290	.022
21-Short waiting time in bank	-4.259	.000
22-Closing for Friday prayer time	-2.458	.014
23-Low services charge	-2.762	.006
24-Female staff wear hijab	-2.539	.011
25-Bank has a prayer room	-4.096	.000
26-Separate department for ladies	-3.780	.000

Furthermore, the study explores how important the twenty-six service quality items are to the customers in order to confirm customers' dissatisfaction. If the twenty-six service

quality items are not important to the customers, we can conclude that they will have little or no impact on their satisfaction.

Table 7-5 shows the twenty-six service quality items that cause the gap (IBAH customers' dissatisfaction) ranked according to their importance to the customers and potential customers, together with the factors (F1, F2, F3 or F4) to which each item has been allocated. Importance rank has been obtained by the study respondents' answers; it is the frequencies (valid percentage) of important and very important in respondents' answers to the twenty-six gap items.

Table 7-5 Customer dissatisfaction with 26 EIBSQ items

	<i>Service quality items</i>	<i>Very important &amp; important %</i>	<i>Factor</i>
1-	Bank runs according to Islamic law	97.40%	F2
2-	Confidentiality of customer Information	96.30%	F2
3-	Secure banking	95.40%	F2
4-	Confidence in bank's Sharia advisors	94.90%	F2
5-	Clear communication	94.60%	F2
6-	Knowledgeable employees	94.50%	F1
7-	Easy bank to deal with	94.30%	F2
8-	Efficient transactions	94.00%	F1
9-	Helpful employees	93.40%	F1
10-	Accurate bank statement	93.10%	F2
11-	Bank resolves the problem quickly	92.50%	F1
12-	Confidence in bank's Management	92.20%	F2
13-	Wide range of Islamic products	92.20%	F2
14-	Friendly employees	90.90%	F1
15-	Speed of transactions	90.20%	F1
16-	Safe from political action	88.40%	F2
17-	Number of cash machine available	86.40%	F4
18-	Convenient bank location	86.40%	F4
19-	Wide range of Islamic services	85.80%	F4
20-	Bank reputation	85.70%	F2
21-	Short waiting time in bank	81.20%	F1
22-	Closing for Friday prayer time	77.60%	F3
23-	Low services charge	74.10%	F4
24-	Female staff wear hijab	66.20%	F3
25-	Bank has a prayer room	59.70%	F3
26-	Separate department for ladies	50.30%	F3



### Factor two (Credibility)

From Table 7-5, it can be seen that the greater percentage of items of importance to the customers are among factor two, which has been named ‘credibility’ in this study. Islamic bank account holders are dissatisfied with all service quality items relating to credibility. By using the frequency table of customers’ importance ratings for each item, we can assess the extent of customers’ satisfaction or dissatisfaction. For instance, item one in factor two (bank runs according to Islamic law) has a statistically significant overall satisfaction gap and 97.4% of customers regard this item as important or very important. Hence, customers’ dissatisfaction with this item can be confirmed. All the items relating to empathy have perceptions below expectations, and yet these items are viewed as being important or very important to the customers. The percentages are as follows: bank runs according to Islamic law (97.4%); confidentiality of customer information (96.3%); secure banking (95.4%); confidence in bank’s Sharia advisors (94.9%); clear communication (94.6%); easy bank to deal with (94.3%); accurate bank statements (93.1%); confidence in bank’s management (92.2%); wide range of Islamic products (92.2%); safe from political action( 88.4%); and bank reputation (85.7%).

### Factor one (Responsiveness)

Factor one, which the study has named ‘responsiveness’ contained nine service quality items, seven of which show customers’ dissatisfaction. These are: knowledgeable employees (94.5% of customers regard this item as important or very important); efficient transactions (94% regard this as important or very important); helpful employees (93.4%); bank resolves the problem quickly (92.5%); friendly employees (90.9%); speed of transactions (90.20%); short waiting time in bank (81.2%).

### Factor three (Islamic Tangible)

Factor three, which the study named 'Islamic tangible' has four service quality items deemed to be unsatisfactory and confirmed by the customers' importance ratings. These are: closing for Friday prayer time (with an important or very important valid percentage of 77.60%); female staff wear hijab (66.2%); bank has a prayer room (59.7%); separate department for ladies (50.3%); Only one item, 'bank has Islamic appearance', showed no significant difference between customers' expectations and perceptions, possibly because their expectations have been met or probably their perception is higher. The researcher observed during the distribution of the survey that the Islamic Bank of Britain has an Islamic appearance.

### Factor four (Accessibility)

Factor four, named 'accessibility', also has four service items with perceptions significantly below expectations, and rated as important or very important by customers. The items are; number of cash machines available (86.40%); convenient bank location (86.4%); wide range of Islamic services (85.80%); and low service charge (74.1%). As English Islamic banks are working in England they will work normal working hours. Therefore, there was no significant difference between customers' expectations and perceptions with regard to the 'convenient opening hours' item as shown in Table 7-8 below. Table 7-5 shows the eight service quality items that Islamic bank account holders are satisfied with.

Table 7-6 Satisfactory EIBSQ items

<i>Service quality items</i>	<i>Factor</i>	<i>Z value</i>	<i>Significance level, Asym.Sig(2-tailed)</i>
1-Employees give you individual attention	F1	-1.756	.079
2-Polite employees	F1	-1.900	.057
3-Bank has Islamic appearance	F3	-1.855	.064
4-Convenient opening hours	F4	-.964	.335
5-Bank size	F5	-.309	.757
6-Well known bank	F5	-.339	.734
7-Modern looking equipment	F5	-1.774	.076
8-Bank's building has Islamic Architecture	F5	-.134	.893

Only eight items showed no statistically significant difference between IBAHs' perceptions and expectations; these are items for which the significance level is more than .05. This could mean that Islamic bank account holders' expectations are less than or equal to their perceptions or that Islamic bank account holders perceived these items with high quality.

For instance, 'bank size' and 'well known bank', which belong to factor five, showed no significant differences between customers' expectations and perceptions. This implies that customers do not expect new arrivals to the market to be large and well-known banks. This is supported by the focus group results where participants reported that they would not pay attention to their Islamic bank's appearance as much as what these banks really offers and how they comply with Islamic law and whether they achieve the high quality of service that UK Muslims have become used to from non-Islamic banks. In addition, it could mean that English Islamic banks have a suitable physical image, which the researcher observed during Islamic bank visits and data collection.

## **7.5 The relationship between banking choice and respondents' opinions**

To diagnose if there is a relationship between respondents' opinion variables (i.e. importance and expectation) and banking choice, a Mann-Whitney non-parametric test was used. The general hypothesis to be tested is:

*“There is a significant difference between Islamic bank account holders' opinions and non-Islamic bank account holders' opinions”*

If the sample evidence supports this hypothesis, we can conclude that respondents' opinions influence their choice between an Islamic bank and a non-Islamic bank.

This hypothesis will include two hypotheses, which relate to respondents' “importance” and “expectations”. Respondents' perceptions have not been tested, as non-Islamic bank account holders have no experience with Islamic banks.

### **7.5.1 Importance**

To diagnose if there is a relationship between respondents' importance and their banking choice, the hypothesis below has been tested:

*“There is a significant difference between the level of importance attached to service quality items by Islamic bank account holders and non-Islamic bank account holders”*

Mann-Whitney tests are used to investigate whether Islamic bank account holders and non-Islamic bank account holders differ in terms of the importance they attached to each service quality item. All thirty-four items have been tested and the results indicate that

there is no significant difference between Islamic bank account holders' importance and non-Islamic bank account holders' importance with respect to twenty-two items.

However, there is a significant difference between Islamic bank account holders' importance and non-Islamic bank account holders' importance with respect twelve items, which mainly belong to the credibility and responsiveness dimensions, as shown in Table 7-7.

Table 7-7: IBAH and NIBAH importance

<i>Items</i>	<i>Asymp. Sig.</i>	<i>IBAH-N</i>	<i>IBAH Mean rank</i>	<i>IBAH Median</i>	<i>NIBAH-N</i>	<i>NIBAH Mean rank</i>	<i>NIBAH Median</i>
Importance of secure banking	.001	90	118.97	5.00	185	147.26	5.00
Importance of helpful employees	.005	92	122.77	4.00	187	148.48	5.00
Importance of being safe from political action	.010	91	125.73	4.00	191	149.02	5.00
Importance of bank resolving the problems quickly	.012	94	127.79	4.00	192	151.19	5.00
Importance of low service charges	.014	86	116.47	4.00	177	139.55	4.00
Importance of convenient bank location	.023	94	128.56	4.00	191	150.10	5.00
Importance of convenient opening hours	.027	92	125.47	4.00	186	146.44	4.00
Importance of friendly employees	.030	92	129.25	4.00	193	149.55	4.00
Importance of confidence in bank's management	.032	92	128.84	4.00	191	148.34	5.00
Importance of bank reputation	.039	89	125.83	4.00	188	145.23	4.50
Importance of polite employees	.049	91	130.58	4.00	194	148.83	5.00
Importance of confidentiality of customer information	.050	91	132.35	5.00	193	147.29	5.00

From table 7-7 if we compare the two groups' (IBAH and NIBAH) mean ranks of each proposed service quality item, the results show that the responses of NIBAH tend to exceed those of IBAH. This means that these items are more important to NIBAH. In addition, if we compare the median values of each proposed item, the NIBAH medians are either equal to or higher than the IBAH medians. Thus, the non-Islamic bank account holders rate these items as being more important than the Islamic bank account holders.

### **7.5.2 Expectation**

To diagnose if there is a relationship between respondents' expectations and their banking choice the hypothesis below has been tested:

*“There is a significant difference between Islamic bank account holders' expectations and non-Islamic bank account holders' expectations”*

Again, Mann-Whitney tests are used to investigate whether Islamic bank account holders and non-Islamic bank account holders differ in terms of their expectations of each service quality item. The thirty-four items are tested and the results suggest that there is no significant difference between Islamic bank account holders' expectation and non-Islamic bank account holders' expectation with respect to thirty-two items.

However, there is a significant difference between Islamic bank account holders' expectations and non-Islamic bank account holders' expectations for two items, which belong to the credibility dimension, as shown in Table 7-8.

Table 7-8: IBAH and NIBAH expectations

<i>Item</i>	<i>Asymp. Sig.</i>	<i>IBAH-N</i>	<i>IBAH Mean rank</i>	<i>IBAH Median</i>	<i>NIBAH-N</i>	<i>NIBAH Mean rank</i>	<i>NIBAH Median</i>
Expectation of secure banking	.007	89	121.52	5.00	184	144.49	5.00
Expectation of being safe from political action	.043	91	127.80	5.00	186	144.97	5.00

Table 7-8 shows that there is a statistically significant difference between IBAH and NIBAH with respect to their expectation of secure banking. The z value is -2.70 with a significance level of  $p=.007$ . The mean rank of NIBAH is higher than IBAH, which means that non-Islamic bank account holders have higher expectations of secure banking.

However, the median value is equal to 5 in the two groups. Pallant (2007) suggested that it is better to report the median values for each group. The effect size ( $r$ ) is .03 ( $r = z / \text{square root of number of cases } N$ ). This would be considered a very small effect size using Cohen's (1988) criteria of .1 = small effect, .3=medium effect, .5 = large effect.

In addition, there is statistically significant difference between the expectation of being safe from political action between IBAH and NIBAH, with significance value of .043. The mean rank of NIBAH exceeds that of IBAH, though the median are equal. This suggests that non-Islamic bank account holders have higher expectation of being safe from political action.

Thus, when it comes to the differences between the two groups' expectations, the results show that there are no significant differences between them in the case of thirty-two items. A significant difference is found in the sample for just two items.

## 7.6 Conclusion

In conclusion, exploratory factor analysis has been applied to part one of the study survey (concerned with the importance of service quality items to UK Muslims), and used in order to develop a tool to measure English Islamic banks' customers' satisfaction. This used the SERVQUAL approach, which involves analysing the difference between customers' expectations and perceptions. Therefore, the first part of this chapter answered hypothesis 2 in this study "*H2: There is a service quality model for English Islamic banks*". EIBSQ is a five-factor model with thirty-four service quality items (proposed earlier through the literature review and focus group discussions) and allows us to accept H2.

Non-parametric Wilcoxon Signed Ranks tests were then applied to parts two and three in the study survey (Islamic bank account holders' expectations and perceptions) in order to investigate Islamic bank account holders' levels of satisfaction. Hypothesis 3 in this study "*H3: There is satisfaction with the English Islamic banking system*" was rejected.

Twenty-six service quality items from EIBSQ showed Islamic bank account holders' overall dissatisfaction with the service quality items in factors 1, 2, 3 and 4.

Finally, Mann-Whitney tests indicate that there is a significant difference between Islamic and non-Islamic bank account holders with respect to the level of importance attached to twelve items (relating to credibility, responsiveness, and accessibility) and with respect to their expectations of just two items (relating to credibility).



## **Chapter Eight**

### **The Study Implications, Contribution and Recommendations**

#### **8.1 Introduction**

In this chapter, the study implications are discussed in Section 8.2, first in terms of the multidimensionality of the proposed Islamic banks' service quality model and its cultural impact, and second, with respect to the level of satisfaction with the service experienced and perceived by customers of Islamic banks in the UK. In Sections 8.3 and 8.4, the contribution to knowledge and the limitations of the study are discussed. Finally, in Section 8.5, recommendations for future research and for English Islamic banks are proposed.

#### **8.2 Study implications**

In this study, the main aims were to develop a service quality measurement scale suitable for English Islamic banks from the perspective of the English Muslim community, and to use the proposed model to evaluate customers' satisfaction with their Islamic banks' actual performance by measuring the gap between their expectations and perceptions on the identified service quality dimensions. Thus, there are two themes that can be identified from the aims, which are EIBSQ dimensions and customer satisfaction. Additionally, Muslims' awareness of Islamic finance and banks - identified from the focus group discussions presented in chapter five, is considered to be a third theme to be discussed in this chapter.

### **8.2.1 EIBSQ's dimensions and items**

The findings obtained from this analysis have shown that EIBSQ is a multidimensional variable comprising five dimensions with 34 items. These findings are in line with the results of most previous service quality studies with respect to the multifaceted nature of this construct. For instance, most SERVQUAL studies (e.g. Parasuraman et al., 1985, 1988,1990,1991,1993 and 1994; Cronin and Taylor, 1992 and 1994; Avkiran, 1994; Blanchard et al., 1994; Buttle 1996; Angur et al., 1999; Robinson 1999; Bahia and Nantel 2000) have conceptualised SERVQUAL as a multifaceted concept. Additionally, Carrillat et al. (2007) reported that there is some concern about the validity of SERVQUAL across borders because research has shown that cultural values influence customer responses. This was supported by the CARTER scale for Islamic banking (Othman, 2003) which took account of dimensions relating to customers' religious beliefs and culture, with respect to "compliance with Sharia law". However, the CARTER model was developed in a Muslim country, which according to the authors will be different from the scale of Islamic banking in a western country, because of customers' cultural differences (e.g. see Zeithaml and Bitner, 2003). Islamic banks in the UK should therefore be aware of cultural items, which in the UK, where eastern culture is mixed with western culture, include customers' background, the western environment and customers' previous experience with non-Islamic banks, mixed with Islamic beliefs. These should all be taken into account when developing an Islamic banking service quality model. This study proposed EIBSQ, which has a five-dimensional scale, and takes account of items relating to Muslims' religious beliefs and western culture (i.e. English culture).

According to the results of the statistical analysis of the EIBSQ model, all of the items proposed were found to be significant components of service quality. The results revealed

that all 34 items were loaded and most of the 34 items were important. The five dimensions loaded were named:

- Responsiveness, with explaining variance 16.47%
- Credibility, with 15.95%
- Islamic Tangibles, with 11.57%
- Accessibility, with 10.96%, and
- Bank Image, with 10.08%.

The dimension 'responsiveness' contains nine items relating to the skills, professionalism, and responses of the employees; it is loaded as the most important requirement for UK Muslims, and referred to as dimension one. This is not in agreement with the CARTER scale, where 'Compliance with Sharia law' is loaded as the most important dimension. This could be a result of differences between Muslims in Muslim countries and Muslims in non-Muslim countries, such as the UK, where the education, western environment, and past experience have altered Muslims in England. This is supported by the study results, which show that about 80 per cent of respondents were less than 40 years old, and more than 71 per cent held university degrees or above. For these groups, it seems that religious beliefs are no longer the strongest factor in the evaluation of banking services.

The dimension 'credibility' contains eleven items relating to Sharia law in Islamic banks from many aspects, either in the products, the advisors, communications and security and accuracy. Religious beliefs were rated by UK Muslims as the second most important dimension (referred to as dimension two). However, there was not a big difference between dimension one and dimension two, as the explaining variance for dimension one was 16.47 per cent, and the explaining variance for the dimension two was 15.95 per cent, so dimension two is almost important as dimension one, which highlights the difference

between UK Muslims and Muslims based in Muslim countries. CARTER model 2003 showed that the dimension concern religious beliefs loaded as dimension one.

The third dimension, loaded with an explaining variance of 11.57 per cent, was ‘Islamic tangibles’, which contains five items relating to the Islamic appearance of the employees and the banks (mostly with reference to the bank’s internal appearance). Islamic tangibles items are that distinguish between Islamic banks and non-Islamic banks, and fulfil Muslim customers’ needs. These items are more related to Islamic culture and how Muslims in the UK, i.e. in a western non-Muslim cultural environment, want to be reassured and feel familiar with the bank and its staff (as the focus group discussions suggested in chapter five).

As well as following other rules in Sharia law, social and worship laws are also of great importance and include such things as wearing hijab, separating males and females and stopping work during Friday prayer. For a service quality model of Islamic banks in a Muslim country, such Islamic tangibles (identified as important in the UK) would not be such a concern, as they would be taken for granted.

Because of the relatively late arrival of Islamic banks in the UK, and the Islamic banking experience to Muslims who live in the UK, the fourth dimension was found to be ‘accessibility’, which contains items relating to convenience, whether in location, opening hours, price, the number of cash-points available or the availability of financial services such as an Islamic financial advisor. The fifth dimension contains items relating to Islamic banks’ image, such as size, modern appearance and reputation of the bank. The explaining

variances for dimensions four and five were 10.96 per cent, and 10.08 per cent respectively.

### **8.2.2 Customer satisfaction using EIBSQ**

Satisfied customers are likely to engage in word-of-mouth recommendations (Filed and Prince, 1992). Banks have a good opportunity to increase their market share by developing positive word-of-mouth among customers (Casalo et al., 2008). The EIBSQ model with its five-dimensional structure is used in this study to measure customer satisfaction in English Islamic banks using the SERVQUAL approach, which is to measure the gap between customers' expectations and customers' perceptions. The results revealed that the expectations of English Islamic banks' customers were not met, as EIBSQ showed a significant level of customer dissatisfaction with English Islamic banks.

The greatest reason for dissatisfaction was found to be dimension two i.e. credibility, which relates to Sharia law and customer security and confidentiality. It is interesting to compare this finding with those reported earlier by Naser, Jamal, and Khatib (1999), who reported that customers in Jordan rely heavily on criteria like confidentiality when choosing a bank. Furthermore, Islamic banks in the UK need to reassure their customers about the methods they use in investment, their Sharia supervisors, and safety from fraud or political actions. The item concerned with running banks according to Islamic law showed the highest gap, as more than 97 per cent of IBAH respondents ranked this item as either important or very important.

'Responsiveness' is the second dimension given as a reason for customer dissatisfaction with English Islamic banks. In this case, the main reason for the gap was found to be

related to the knowledge of the employees. Karbhari et al. (2004) argued that Islamic banking in the UK facing problem in recruiting professional staff not only in technical banking, but also in awareness of the basic principles and ultimate goals of Islamic banking. According to the focus group definition, this refers mainly to their knowledge of Islamic law. The results show that 94.50 per cent of IBAH respondents ranked this item either very important or important. The efficiency and helpfulness of employees were the other highest ranked items, where 94 per cent and 93.40 per cent of IBAH respondents respectively ranked them as either very important or important.

In general, the respondents to this study showed satisfaction with the physical facilities provided by the Islamic banks in the UK. However, there were gaps between customers' expectations and perceptions in four items from the dimension 'Islamic tangibles'. These were:

- Closing for Friday prayer time
- Banks having prayer rooms
- Female staff wearing hijab
- Banks having separate departments for women.

According to the researcher's observations during the survey distribution, the gap in items such as closing for Friday prayer time and the bank having a prayer room should not really exist. Some respondents never visit the banks and so do not notice the opening hours - for instance, female customers who have husbands who visit the bank on their behalf or for whom the bank's location is inconvenient. Also, a prayer room may be available for the staff, but the bank may not declare that there is a prayer room to its customers. In addition, some female staff wear hijab while others do not. Some respondents consider hijab as the Islamic banks' female staff's uniform, the same as any

organisation's formal uniform, whether the female employee is Muslim or non-Muslim. This observation was supported by the factor analysis where the item showed the highest loading in dimension three in EIBSQ. However, only 50 per cent of respondents think it is either important or very important to have separate departments for women.

Customers' dissatisfaction was also found in the dimension labelled 'accessibility', in particular with respect to the number of branches and the number of cash machine available. Islamic banks should pay attention to improving these aspects of its service features. IBAH respondents showed that they are not satisfied with either the location of cash machines (more than 86 per cent) or the number of cash machine available (more than 86 per cent).

Results presented by the EIBSQ aim to understand how customers think about and evaluate Islamic banks. It is based on the idea that, if Islamic banks want to satisfy their customers, they need to know their needs and improve Islamic banks' services according to customers' requirements. Satisfaction is viewed as largely based on meeting or exceeding expectations. Overall, in EIBSQ in the UK, the results have shown that customers perceive Islamic banks' service quality with a high degree of dissatisfaction.

Most of the respondents deal with both Islamic banks and non-Islamic banks, which gives an indication of the inability of Islamic banks to provide various products and high quality services, compared with non-Islamic banks. The respondents tended to deal with both types of banks in order to make use of various products and facilities offered by the two banking systems. In order to retain their customers, the Islamic banks do need to meet customer needs and expectations.

### **8.2.3 Customer awareness**

In 1997, Gerrard and Cunningham reported that Muslims living in a non-Muslim country such as Singapore were aware of fundamental terms in Islam. However, they were almost exclusively unaware of the meaning of specific Islamic financial terms. Ahmad and Haron(2002) found that Malaysian Islamic banks have not done enough in educating customers and marketing their products, this lack of marketing effort among the providers could be the contributory factor towards the small market share of Islamic deposits in Malaysia end of 2000. Naser et al. (1999) found that a large number of Muslims in Jordan, which is a Muslim country, were aware of the specific features of Islamic banking and their existence but were not using those features. Furthermore, their study concludes that customers need to be reminded of Islamic bank products and services, and assured of their quality and competitiveness. However, some of Nacer et al.'s respondents showed a lack of awareness of the meaning of Islamic terms which is partially in line with those reported by Gerrard and Cunningham (1997).

The findings reported in this study of Muslims in the UK are in broad agreement with the findings of Gerrard and Cunningham (1997), Naser et al. (1999), Karbhari et al. (2004), and Dar (2004). Lack of awareness was explored and identified from the focus groups discussions, and therefore questions were included in the survey about awareness and analysed in chapter six. Many Muslims living in the UK seem to be unaware of the meaning of Islamic finance terms, or that Islamic banks offer Islamic products and services, or that there is information on Islamic banking products and services available in the market. Further, some were unaware of the existence of Islamic banks in the UK, and unaware of benefits of Islamic banking as compared to non-Islamic banking. It is clear from Table 6-18 in chapter six that a high proportion of the respondents were unaware of



any of them. Additionally, many respondents had not been approached by an Islamic bank. On the other hand, Table 6-17 in chapter six shows that a high number of the respondents (65) who held Islamic bank accounts were trying to practice their faith. However, less than half of this number (26 respondents) were aware of the benefits of Islamic principles. Including respondents who do not hold an Islamic bank account in Table 6-18, 40 respondents were not aware of the benefits of Islamic banking.

This tends to confirm that Muslims in non-Muslim countries are similar to Muslims in Muslim countries, in that both need to be educated in the Islamic terminology of banking. However, Muslims in the UK also need to be informed about Islamic banks operating in the market, and about the Islamic products and services they offer. This study's findings indicate that many Muslims in the UK have not been approached by Islamic banks - Table 6-18 shows that a high number of respondents were not even aware of any Islamic banks or financial institution offering Islamic banking products (62 respondents), had received no information on Islamic banking (68 respondents), and had not been offered Islamic banking services (66 respondents).

### **8.3 Contribution**

The concerns of service quality may differ from one country to another, culture to culture and from industry to industry. It is therefore crucial to develop measures of service quality that are pertinent to the country and culture where the service is offered. This study proposed a measure of service quality in English Islamic banks. To the researcher's knowledge, very few models of the quality of service in the Islamic banking industry have been developed. In particular, to the researcher's knowledge, there has been no previous

research on the quality of service and customer satisfaction in English Islamic banking industry.

Studies using SERVQUAL have been conducted across more than 17 countries and on each and every continent. The use of this scale in an international context raises a legitimate concern about validity across borders because research has shown that cultural values influence customer responses on measures of service quality (Laroche et al., 2004; Zhou, 2004). According to Herk et al. (2005), research conducted internationally can be affected both by construct bias (i.e. the construct studied differs across countries) and item bias (i.e. items are distorted when used internationally). (Cited by Carrillat et al., 2007)

In order to account for cultural differences, this study has proposed EIBSQ as a scale that can provide a reliable, valid, and useful tool for measuring service quality levels in the English Islamic banking industry. The EIBSQ five dimensions have been built in the light of the SERVQUAL model and previous studies that have used a modified SERVQUAL, together with the focus group discussion. Theoretically, the results support previous studies that have argued that the service quality scale SERVQUAL's construction and items are influenced by culture. The CARTER model in 2003 was designed for Islamic banks in Muslim countries (i.e. an Islamic banking system for Muslims from a Muslim country perspective "Kuwait"), while the proposed EIBSQ scale is designed for Islamic banks in the UK (i.e. the Islamic banking system for Muslims in a western country "UK" perspective).

In practical terms, the EIBSQ model will serve the need for an Islamic bank to work more effectively on the demands of its customers' needs and wants. The use of EIBSQ will guide Islamic banks in the UK to focus and give priority to service quality items matter more to UK Muslims. As shown in Table 7-2 in chapter seven, a list of desired service that UK Muslims want from Islamic banks. The strongest are items related to both employees' behaviour and their knowledge and how fact the service will be provided by the bank. Items related to Islamic service, confidentiality and security of the bank comes second strongest, which will fulfil UK Muslims desire. Followed by items related to Islamic tangibles that distinct between Islamic banks and non-Islamic banks, and fulfil Muslim customers' needs. Furthermore, English Islamic banks should consider items that related to accessibility and convenience. Islamic banks should build a good image in customers' mind by extend their size and develop their building.

#### **8.4 Limitations**

The following limitations were identified:

1. This study was undertaken in England and a scale, the EIBSQ, was developed for the English market. This scale might be applicable to Islamic banks in other parts of the UK, Europe or other western countries. However, different countries, economic environments and regulations should be taken in consideration (Othman, 2003) and could well render EIBSQ unsuitable in these countries. Islamic banks in the UK have operated in a unique market environment; this makes the generalisation of the study results to other Islamic banks in other countries inappropriate without verifying the suitability of the scale measurement.
2. Only 94 respondents, almost one third of the sample, in this study held an Islamic bank account. This is a relatively small number and it was hoped that more Islamic

bank account holders would be identified. This shortfall arose due to the difficulty of identifying Islamic bank account holders in the Muslim community during questionnaire distribution. However, although the number of Muslims with Islamic bank accounts is low, and the researcher was unable to obtain assistance from banks in order to improve this, 94 was a sufficient number to enable statistical analysis. Future studies should, however, try to address this issue and seek to obtain a higher number/proportion of Islamic bank account holders.

3. Customers' overall satisfaction with the items in the proposed EIBSQ scale was measured in this research by the gap between customers' expectations and their perceptions. A gap was found, but this gap could exist as a result of any one or more of four gaps. These are: gap one: customer expectations–management's perceptions, gap two: management's perceptions–service quality specifications, gap three: service quality specifications–service delivery, gap four: service delivery–external communications, and finally the overall satisfaction gap which is called gap five. Further examination of the gap in service quality of English Islamic banks should be conducted.
4. In this study, the customer expectation – customer perception approach has been used to measure customer satisfaction. Alternative measures are available and a different result may be obtained if, for example, the customer importance-customer perception approach or customer perception approach had been used to measure satisfaction. Alternatively, a comparison of the three approaches would be an interesting question to investigate.
5. EIBSQ is a proposed service quality measurement of English Islamic banks from an English Muslims' perspective. Islamic banks operating under English regulations have to offer equal opportunities to Muslims and non-Muslims, but

non-Muslim customers have not been included in this research. Islamic banks could be seen as an ethical alternative to traditional banks and therefore the number of non-Muslim customers may grow in the near future, particularly considering the negative press traditional banks have received during the recent credit crisis and recession. Additionally, what motivates non-Muslims to bank with an Islamic bank would be an interesting question to investigate.

## **8.5 Recommendations**

This section is divided into two parts: recommendations to academics and recommendations to practitioners.

### **8.5.1 Recommendations for future research**

1. Researchers are recommended to examine the validity of the EIBSQ model with banks located in different parts of the UK or different non-Muslim countries in other western countries, e.g. Europe and the USA. However, as indicated above, it is recommended that the SERVQUAL dimensions and items are re-examined and potentially re-defined to take into account differences in each country's economic environment and regulations.
2. Researchers are recommended to obtain a larger sample of Islamic bank account holders. In this research, only one third of respondents held an Islamic bank account in contrast to two-thirds who did not. This could be achieved by obtaining the support and co-operation of an Islamic bank to help distribute the questionnaires and perhaps provide additional insights into the resulting data.
3. EIBSQ has found evidence of overall customer dissatisfaction (gap five), which means the existence of one or more gaps in gaps one to four. Therefore, future

researchers are recommended to assess which gaps exist in the service provided by English Islamic banks. Gaps one to four affect the way in which service is delivered and these four gaps lead to gap five (known as overall customer satisfaction). The extent of gap five depends on the size and direction of these four gaps (gap one, gap two, gap three and gap four) and it might be gap one where management's perceptions are less than customer expectations, gap two which considers management's perceptions–service quality specifications, gap three which considers service quality specifications–service delivery, or gap four which considers service delivery–external communications. Further research is recommended to search, collect data, and analyse English Islamic banks' employees and managers.

4. The customer expectations–customer perceptions approach has been used in this study to measure customer satisfaction, as service quality and customer satisfaction literature provides different approaches to measure customer satisfaction, such as:
  - Cronin and Taylor (1992-1994): customer's perceptions only used to measure service quality and their satisfaction.
  - Ennew et al (1993): the difference between importance–perceptions used to show customer's evaluation of services.

It therefore is recommended to use these approaches in English Islamic banks.

5. Researchers are recommended to examine the validity of EIBSQ and develop a service quality model for English Islamic banks from the perspective of non-Muslim customers. As mentioned above in Section 8.4, Islamic banks in England

have non-Muslim customers as well as Muslim customers, so non-Muslim customers' satisfaction could be measured. However, the researcher believes that EIBSQ cannot be used to measure non-Muslim customers' satisfaction, as this research concerns Muslim customers only. Additionally researchers are recommended to investigate reasons for non-Muslim choice of Islamic banks.

### **8.5.2 Recommendations for Islamic Banks**

The study developed and tested a scale to measure service quality in English Islamic banks. This study also determined the most important dimension of the instrument from English Muslims' perspective (whether customers or potential customers), which will help Islamic bank managers to assess and improve their service quality.

1. Islamic banks in England should pay attention to the quality of their services provided by their employees as the respondents in this study generally rated the items concerning human skills of the Islamic bank as the first dimension. Employees play a significant role in bank customer interaction. Islamic banks are recommended to develop their employees to deliver a good service quality and so increase customer satisfaction. This might be achieved through training and education programmes in Islamic knowledge for their employees.
2. In addition, Islamic banks in England should increase and improve their convenience and accessibility. For instance, by providing more cash machines, internet banking and expanding their branch network so that they are more visible in the market and create greater awareness of their presence. Islamic banks could also achieve this by co-operating with other well-known banks, organisations, and

big supermarkets as focus group participants suggested that such links would help to gain the trust of English Muslims.

3. Islamic banks in England should find ways to raise overall awareness of the services of Islamic banks amongst Muslims in England. They need to make appropriate information available to their customers by conducting promotion, for instance using media, creating a trade association, through Islamic centres. The information should be up to date, accurate and distributed widely. This would increase Muslims awareness, and therefore the number of Islamic bank account holders.
4. English Islamic banks' customers (IBAH) showed dissatisfaction with some of the proposed service quality items in Table 7-4 (pg 163). In order to satisfy their customers, gain their loyalty and positive word of mouth. English Islamic banks' managers are recommended to pay attention to all items that showed customers dissatisfaction, working first on the items with bigger gaps (bigger Z value) such as Bank runs according to Islamic law (Z Value=-5.139), bank resolves problem quickly (Z Value=-4.645), clear communication (Z=-4.594), knowledgeable employees (Z=-4.487), confidence in bank's Sharia advisors (Z=-4.285), speed of transactions (Z=-4.264), short waiting time in bank (Z=-4.259).
5. Islamic banks should encourage and support more research to investigate customer needs, analyse the actual determinants of customer satisfaction or dissatisfaction, study other banks' successes, learn from them and set priorities of where and what may be improved in services to enhance customer satisfaction.



6. The EIBSQ model highlighted the importance of cultural items and therefore these items should be taken on board when Islamic banks in England offer the service and reassure their customers. Islamic bank managers are recommended to consider items that concern Islamic law such as Islamic banks run according to Islamic law, trust in Sharia advisors and security, which loaded as a second dimension. Additionally, Islamic tangibles such as department separation, female employees wearing Hiejap, which loaded as the third dimension, should also be considered by English Islamic banks' managers.

## **8.6 Conclusion**

Parasurman et al. (1988-1994) identified 22 determinants of service quality, which influence the way a customer perceives and experiences service. They also established a relationship between expectations and perceptions of service quality. As a result of cultural differences, Othman (2003) developed and amended the items identified by Parasurman et al. to Kuwaiti Islamic banks. The present study has taken this further still by developing the EIBSQ, which has added a number of new items to the existing items in SERVQUAL and CARTER, to make it more suitable for English Islamic banks.

The proposed model has been developed from the perspective of English Muslim community and can be used to measure the quality of service in English Islamic banks. The items loaded differently to those in the original SERVQUAL and CARTER models. Notably what is viewed as the most important dimension for England-based Muslim customers was viewed completely differently in models conducted in Muslim-based countries. For instance, in England compliance with Sharia law is not sufficient to ensure good service quality, as English Muslim customers rate 'responsiveness' as the most important dimension.

Therefore, the study has implications for English Islamic bank managers who need to be aware of their customers needs. In addition, the study reinforces the need for academics to develop different service quality instruments for different contexts and cultures.

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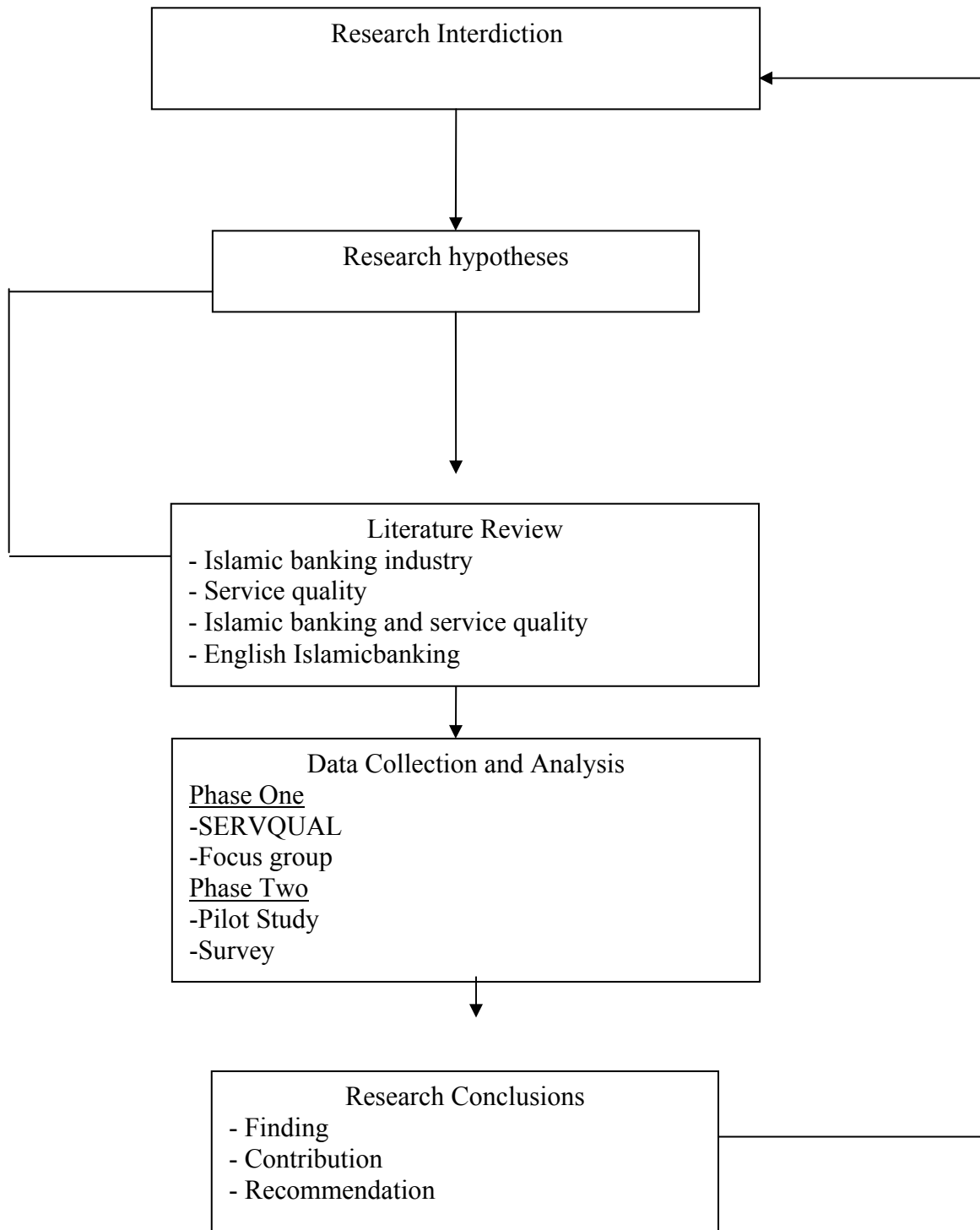
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## Glossary:

Allah:	God.
The Holy Quran:	Muslims Holy book.
Sunnah	Prophet Mohammed teaching
Sharia / Islamic law:	Muslims laws based on the teaching of the Holy Quran and Sunnah.
Halal:	Permitted or law full in Islamic law (any thing permissible by Sharia).
Haram:	Forbidden / opposite of Halal (any thing forbidden by Sharia).
Riba:	Usury or Interest.
Qard:	Loan.
Al qard al hasan:	Benevolent loan / Interest free loan.
Zakat:	Wealth tax of 2.5 per cent of net worth annually (on fixed assets, good and capital).
Islamic year (Hajre):	Lunar year, dated when the prophet Mohamed moved from Macca to Medina
Qimar / Maisir:	Gambling.
Gharar:	Deception / Dubiousness and in uncertainty contracts.
Mudarabah / Mugaradah:	Trust financing (finance for use in some productive activity) / Equity sharing between bank and client / Profit- Loss sharing.
Mudarib:	Entrepreneur or the management trustee.
Rab al maal:	Capital owner in the Mudarabah financing.
Musharakah:	Partnership financing /Additional finance for anther party's business / Profit – Loss sharing partnership between bank and client.
Murabaha:	Venture capital financing / Cost plus financing / Resale contract for short term credit deferred payment.
Ijarah:	Lease or renting / leasing contract.
Ijarah wa iktina:	Leasing and acquiring / Hire purchase lease / Lease ending in ownership.
Muzarah:	Agriculture financing techniques.
Musagah/ Musaqt:	Orchards or gardens irrigation financing.
Mutajarah:	Trading.
Bia ajel/ Bai mu' ajjal:	Deferred payment sale/ deferred payment contract.
Bia al-salam:	Purchase with deferred delivery (deferred delivery contract, usually applied in agriculture).
Istisna:	Manufacturing financing /A contract for processed commodities (specified order) in (deferred) future delivery, (Payment could be in advance or after delivery).
Friday prayer:	Compulsory prayer for Muslim men each Friday (between 12.30pm – 2 pm has to be at Mosques).
Hijab:	Compulsory costume for Muslim women.

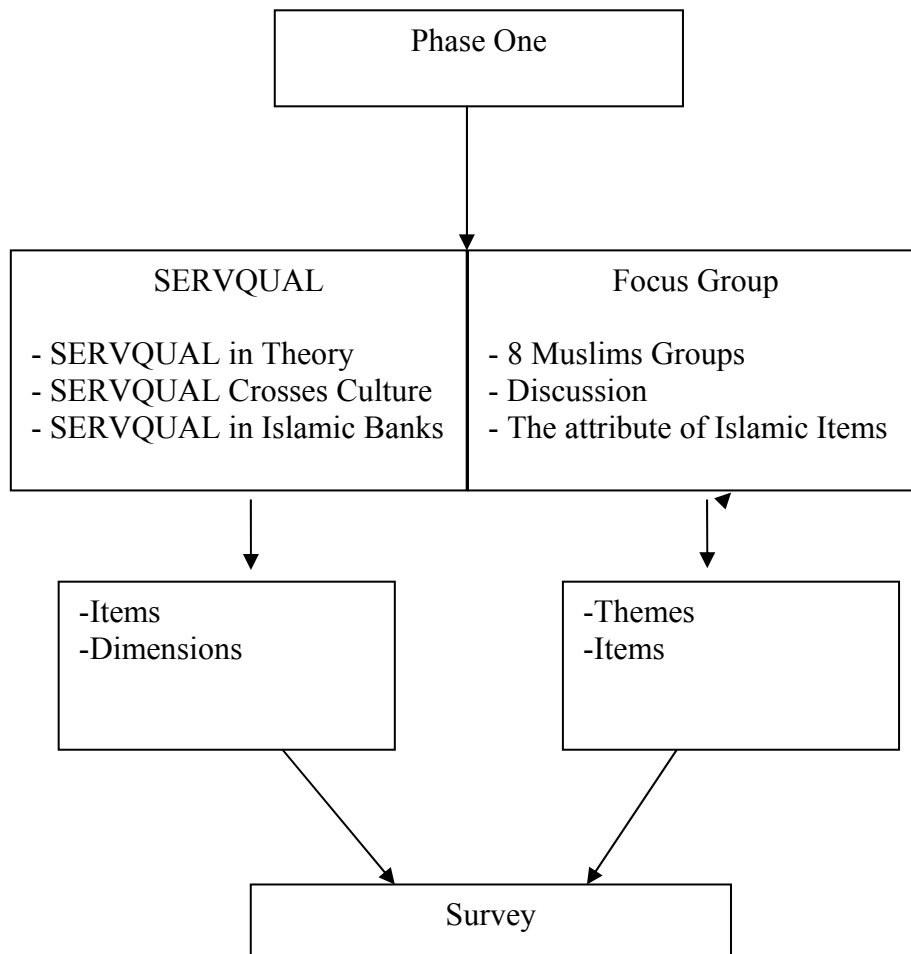
**Appendix 1:**

Research Strategy

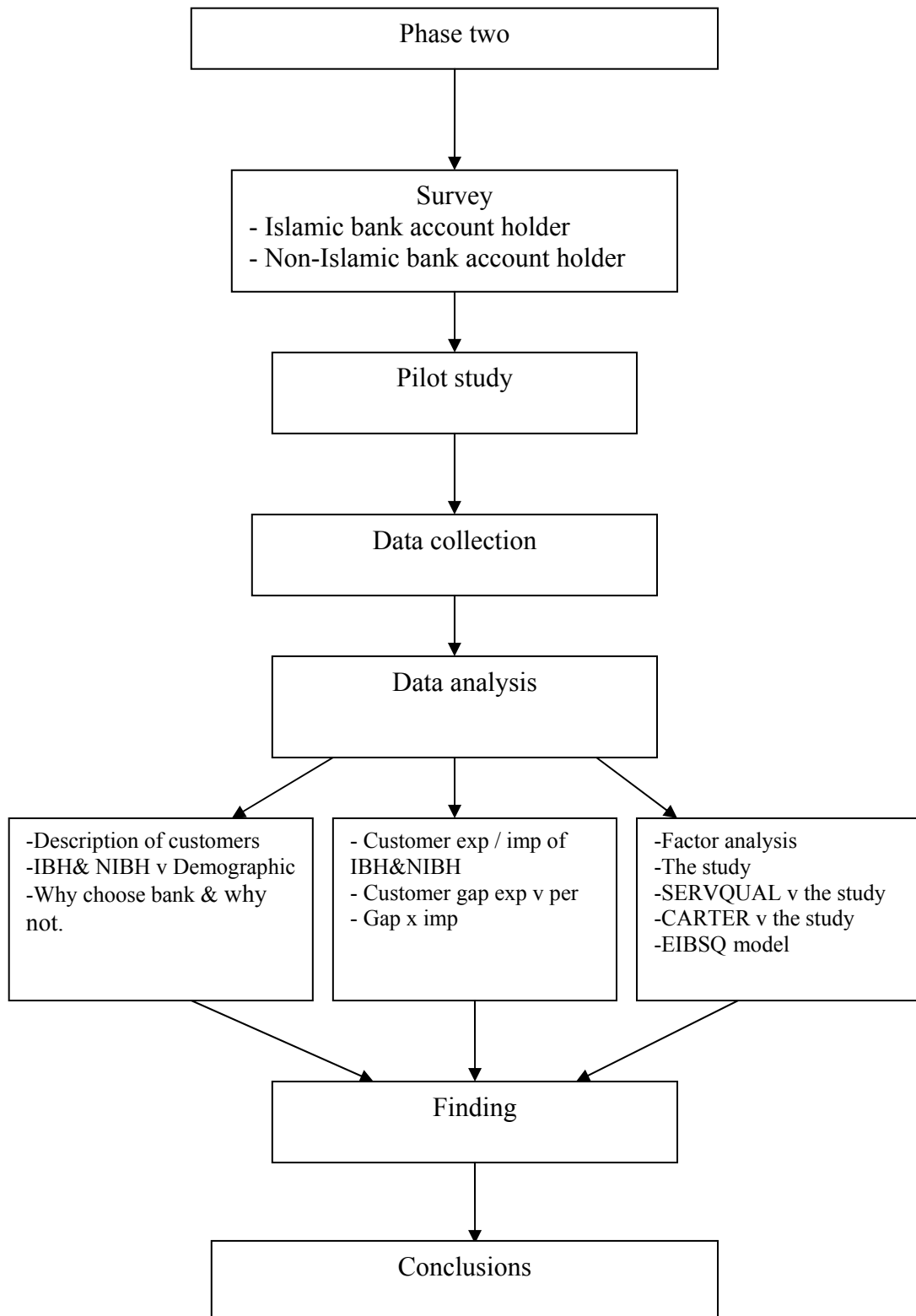




Data Collection and Analysis



Data collection and analysis



## **Appendix 2:**

SERVQUAL Items:

- 1 - Modern looking equipment.
- 2 – Visually appealing physical facilities.
- 3 – Neat appearing employees.
- 4 – Visually appealing materials associated with the service.
- 5 – Keeping a promise to do something by a certain time.
- 6 – Showing sincere interest in solving customers’ problems.
- 7 – Performing the service correct the first time.
- 8 – Providing the service at the time the service was promised.
- 9 – Insisting on error free records.
- 10 - Employees telling customers exactly what services will be performed.
- 11 - Employees giving prompt service to customers.
- 12 - Employees always being willing to help customers.
- 13 – Employees are never being too busy to respond to customer’s requests.
- 14 - The behaviour of employees instilling confidence in their customers.
- 15 – Customers feeling safe in their transactions.
- 16 – Employees being consistently courteous with their customers.
- 17- Employees having the knowledge to answer customer’s questions.
- 18 – Giving customers individual attention.
- 19 - Operating hours convenient to all their customers.
- 20- Employees giving customers personal attention.
- 21 - Having the customers’ best interest at heart.
- 22 - The employees understanding the specific needs of their custom

### **Appendix 3:**

CARTER Items:

Run in Islamic law and principles

No interest paid nor taken on savings and loans

Provision of Islamic products and services

Provision of free interest loans

Provision of profit – sharing investment products

External appearance

Speed and efficiency of transactions

Opening hours of operations

Counter partitions in Bank and its branches

Overdraft privileges on current account

Confidentiality of Bank

Confidence in Bank's management

Parking available

Well known Bank

Bank size in assets and capital

Products and service profitability

Lower service charge

Provision of financial advices

Interior comfort of KFH

Politeness and friendly staff

Ease of access to account information

Bank location (easy to getting to the bank)

Knowledgeable and experienced management team

Convenience

Integrated value-added service using

Wide range of service and products

Security transactions

More till open on peak time

Knowledgeable on customer's business or willing to help

Able to fulfil individual/personal needs

Way staff treats customers

Availability of credit on favourable terms

Branching

Fast and efficient counter service

#### **Appendix 4:**

The Components of Service Dimensions Innovation:

Reliability:

- Keeping Promises
- Keeping records correctly
- Accuracy in billing and information
- Performing the service at the designated time
- Wide range of products and service provided
- Convenience (short time for service)/providing timely
- Meeting deadlines
- Availability and dependability / more till open at peak time.
- Security of transactions
- Improve cash machines

Assurance:

- Consideration for the consumer's property.
- Clean and neat appearance of public contact personal.
- Knowledge and skill of contact personnel.
- Knowledge and skill of operational support personal.
- Research capability of the bank.
- Explaining the service itself.
- Explaining how much the service will cost.
- Explaining the trade-offs between service and cost.
- Assuring the consumer that a problem will be handled.
- Staff ability to provide competent.

- Staff ability to provide confidential service.
- Staff ability to provide courteous service / consistently being courteous.
- Staff ability to provide friendly service.
- Staff ability to convey trust and confidence/ instilling confidence.
- Knowledge to answer.
- Showing sincere interest in solving problems.
- Never too busy to respond.
- Willing to help.

Responsiveness:

- Mailing a transaction slip immediately.
- Calling the customer back quickly.
- Giving prompt service such as setting up appointments quickly.
- Giving customer, undivided attention.
- Readiness of staff to tell customers when exactly things will be done.
- Being demonstrably responsive to the customers requests.
- Knowledge of customer's business or willing to help.
- Way staff treats customers.
- Availability of credit on favourable terms.
- Branching.
- Fast and efficient counter service.
- Employees are never being too busy to respond to customer's requests.

Tangibles:

- Physical facilities,
- Appearance of personal,

- Tools or equipment used to provide the service, Modern – looking equipment.
- Physical representations of the service, such as a bank statement or plastic credit cards,
- Speed and efficiency of transactions.
- Investment in equipment.
- Appearance of branches in terms of appeal.
- Cleanliness.
- Tidiness.
- Customer leaflets, letters, statements.
- Customer communications.
- Visually appealing materials.
- Neat appearing employees.

Empathy:

- The behaviour of employees instilling confidence in their customers.
- Customers feeling safe in their transactions. (Financial security and confidentiality).
- Physical safety to the customers.
- Customers best interests at heart.
- Convenient opening hours.
- Convenient location of service facility.
- Bank location, easy to getting to the bank.
- Parking an available.
- Understanding of individual customer needs and problems.
- Employees giving customers personal attention.
- The employees understanding the specific needs of their customers.
- Bank name and reputation.



- Products and service profitability.
- Bank size in assets and capital.
- Personal characteristics of contact personal, the degree of hard sell involved in interactions with the customer.
- Confidence in bank's management.
- Waiting time to receive service is not extensive.
- The service is easily accessible by telephone / lines are not busy and they do not put customers on hold.
- Lower service charge.
- Provision of financial advices.
- Showing sincere interest in solving problems.
- Never too busy to respond.
- Willing to help.

## **Appendix 5:**

Focus Group identification questions:

Dear Sir / Madam,

We need information about you to enable us to make meaningful interpretation of the data you have supplied. Please circle the response that is closest to your evaluation of the question:

1- Your gender:      a) Male      b) Female

2- Your age:   a) 20 or less   b) 21-30      c) 31-40      d) 41- 50      e) 51 or more

3- Marital status:      a) Married      b) Single

4- Which of the following best describes your highest educational level/ qualification?

No formal education

Below secondary school

Secondary school

College / Sixth form

University degree / Bachelor

Masters

PhD

Other specify

5- Your occupation:

Professional (Doctor, lawyer, engineer, journalist etc)

Administrative / managerial and executive office

Clerk/ Police / Army.

Academic / educators.

Marketing and sales.

Student.

Technician.

Own business.

Housewife.

Other, specify

6- Your country of Birth:

7- How long have you been in England: ..... Years.

8- Your Nationality: .....

Thank you for your consideration.

Researcher

## **Appendix 6:**

Focus Groups Questions:

The interviews were as described below:

With an estimated 3 million Muslims in the UK, Islamic banking and investment have become important in the UK Market.

Banking industry is moving toward the goal of integrated financial service as a result of strong competition and quick changes of technology. Therefore, Islamic banks must pay attention to this movement and start to think strategically by providing high quality products and services in order to satisfy their customers. The research will adopt the new concepts in management such as service quality in Islamic banking.

I would like to know your opinion about service quality from Muslim point of view.

Questions:

What are the main dimensions that motivate customers to deal with a bank?

To what extent are you satisfied with your bank?

What do you like and dislike about your bank?

How does your bank compare with other banks?

What do you know about Islamic banks?

Do consider changing to an Islamic bank and why?

What do you expect from your bank/ Islamic banks?

Do you expect high service quality?

Do you expect low /poor service quality?

What do you mean by good/high quality?

How do you judge good and poor service?

Do you think your bank is reliable? Why?

Will you introduce Islamic banking to others?

Do you feel confidence in Islamic bank's managements?

How do you think Islamic banks should be looks in terms of facilities, materials, employees and equipment?

What do you expect from Islamic bank employees?

## **Appendix 7:**

Extracts from focus groups:

Group B (Student):

B1: That is what American see in the news and women cannot drive and some thing like that. So if you go to bank, women and men working together in the same environment, for non Muslim is like triple. A lot bit of...

B2: They are employees, they are doing their job regarding they are Muslim or not, they have procedure they have to follow it like one day prepare statement whether Muslim or non Muslim they can do it. Nothing to do with Muslim or non Muslim, it does not matter.

B3: The policy.

B2: The policies still the same.

B3: Yes, yes, you cannot do it here.

Reliability, is your bank reliable?

B1: It is a big name.

B3: Reliability comes to trust again.

B1: I do not know about England but in USA and Canada, the government insure every one personal bank account. That will be ....I means...You know, really the bigger the bank the more international bank, whether the reason to chosen it because in Canada, Indonesia or Asian or another place, we can easily get ... any way, Insurance something I used to.

How do you order reliability, compliance with Islamic law, knowledge of employees? If you are going to switch to Islamic, bank...What interest you?

B2: For me, I will put first one complains with Sharia law if the bank compliance with Sharia law this means reliable, skills can be improved, who is working there does not matter to me .

B4: The price comes on the order.

B1: They are new, a bank compliance with Sharia can be very honest, but with through what ever problem can be claps, still honest but not successful, so reliability

Group C (Male):

Where do you bank?

C1: My bank is Lloyd's current account. Why you bank with them? When I arrived to this country, I heard this is near and good facilities.

What do you mean by good facilities?

C1: I opened current account, I found myself it is ok, happy with this account, when I changed the city I still with them.

And you? Barclays. Why?

As far as I concern, Barclays has been the best, I still with them.

C2: I am in bulding society / Halifax, some one told me that building society is better than bank, I do not know why..? I have current account, I am happy with them.

C3: I am with HSBC , I am new in this country , only HSBC accept new student , I mean provided services to student , I went to open Currant account, they asked me to have bills and I do not have. Also I went to get a new bank statement, they did not give me, they said after three months. May be when you start academic study you open with another bank.

Q: What motivated you to go and open an account with any bank?

C1: Reputation one of the reasons, electronic services and physical services. Location is important also.

C2: I had problem that they want to give me interest, I said I do not want the interest but they kept give me, until I went to cashier again. The next day, they put it again.

C3: I told to my bank, I do not want any interest or pay interest, if I want overdraft, they do not charge me, they accept my condition. Every time they told me your account very old system account, open new one ...but I said no, I am happy with this old system.

C2: You probable you will not be able to start one like that, if you want to have an account like this; they probable will start to talk to you and do not accept that.



C4: As far as I concern, I asked to have saving account, and I asked to stop pay me interest, they said they cannot do it. Do it by yourself.

C2: You know, the brother Belal, he told do not bother, just give it, it is too complicated to do it.

C1: There is HSBC; they offer Amanah account, in Islamic way. They found 3 million; they start to offer Islamic account. It is big business.

Q: When you think of Islamic banks, do you know what Islamic bank means?

C1: According to my knowledge, Islamic bank, all the system working according to the Sharia, no interest, there is Mudarabah, Murabaha, may be easier for Muslim to practice.

Then we have to stop because it is time to pray.

Group D (Female):

Q: First, I would like to know where do you bank?

D2: My husband deal with the bank.

Q: Do you mean that you do not have an account?

D2: No, I have sister but my husband does every thing, I did not do anything.

D3: What about you? I have an account with Barcley, I am not happy with them, but I changed for some reason, I used to be with Nat west, they have very good customer services. When we queue there is lady comes to ask you if you need any help.

D2: We know interest Haram, my husband count it and give it to disable school.

D3: I was happy with Natwest, my husband told me to switch over.

Q: Do you know what the difference is between Islamic and non-Islamic bank?

D1: They offer Halal Mortgage, Islamic banking, they do not pay Riba.

D2: Some told us that they take money from some non-Islamic way.

D1: HSBC, conventional bank, how can offer Islamic?

D2: What happened if the client wants to buy home, when they give Islamic mortgage?

D3: I want to trust Islamic bank. I do not want to deal with Riba in any way

D4: What is the difference with you if your money already with Riba?

D3: The difference is I want to go for one bank, I want to make sure that is completely Halal, banks, they make money from money, maybe I speak with one adviser, but the

adviser works for the company so the best way to get the money from you, because this the benefit for the bank, get your money to give their money.

Q: So you do not trust them.

D3: No, if I speak to one adviser, I do not fool me to tell me ok do not pay Riba but then they charge me a lot of more money. I expect from my Islamic bank is to demonstrate me is they completely Halal, if not what is the point, this is may be worst, if they say they Islamic, they Halal, and they are not they using faith of many Muslims, I prefer non Muslim honestly, saying to me, the truth I am going to get the profit from you, that is ok, I really stand up for Riba, I like transfer thing , I do want pocket people take profit from me.

Q: What do you expect? What do you want from an Islamic bank?

D3: I do not know, I am not working and just studying, at the moment we do not have those kinds of things ....I do not know , my husband and me at the present situation we just want to have a loan , the whole amount ...eventually , I do not want to buy a place have a house . Is it right, the bank can buy the house and you can pay the bank, then you can get the ownership with Halal way...?

Q: How do you think should looks like?

D3: I think should be competitive in one side ...

Q: In terms of what?

D3: I think should at least have some sort of standing in the market to trust, some sort of standing based on sharia, let people know about

How would you like the service on Islamic banks?

I would like from tomorrow to Islamic bank, because I would like to open an Islamic bank, First I would like to speak to lady, then I would like to see they set up or to inform me that they based on Sharia, document, bank statement, just making you feel they are not pay Riba, even they have some Hadeith they show you, where Islamic, this is Hadeith, This this

Q: And what is about the communication...?

Clear communication, help line all the time you need, you have to be an adviser there, and like current western, they have their services.

I think they should work very close to Islamic centres, to be able to distribute the information, I think person have gone is happy to give you regular information, where your money has gone. Operating

A part of the Riba, Sharia compliance... how do you expect the services ...employees....., look of the bank ...the communication..?

I can not rely to any body, any one, the bank always happy to offer you money and they make profit and always they try to charge you for what you take, it is money based company, they make money from money, even Islamic bank completely Halal, we can not say Islamic we are not in Islamic society, they get profit from Riba based companies, it is

impossible, no Islamic country any where or Islamic society but at least I want to do my best, it is nice to have Islamic bank, offering with out Riba

I am talking about the other services...their courtesy, honesty of employee, education, politeness, from point of Muslim view....

D3: I would like to see Islamic bank, I like to feel people really really Islamic...!!! Q: How? D3: Wearing Hijab, I like to feel people warm, I like to feel really warm, really (plug us / belong us), they helping me from the heart, really honest people, really polite, really kind. I want to feel like really enjoy having bank account here.

Q: Any other beautiful things?

D4: I only have current account and I want only to buy a house, if I have money I will buy but I do not like debt, if I die, people will not have problem. Because of the signature of my father, I had a problem, they seem very nice but if you have problem later will come to you...

Appendix 8:

Questionnaire items:

B SERVQUAL 1990

C SERVQUAL 2003

D Lit Review

E Grope Disc

Comply with Islamic law.

Does the stokebroker follow my exact instructions to buy or sell? (B)

Work with free interest. (E)

Keeping promises to invest in Halal investment. (E)

Halal source of money. (E)

Honesty (E)

Keeping promises.

When a loan officer says she will call me back in 15 minutes, does she do so? (B)

When promises to do something by a certain time, it does so (C)

The company keeps customers informed about when services will be performed (C)

The company provides its services at the time it promises to do so (C)

Keeping promises. (D)

Wide range of Islamic products and services.

Wide range of products and services provided (D)

Availability of credit on favourable terms (D)

Wide range of Islamic products and services (E)

Islamic mortgage (E)

Hall credit card (E)

Accuracy in billing information.

Is my credit card statement free of errors? (B)

Accuracy in billing information (D)

Keeping record correctly (D)

Accurate billing (E)

Clear information.

Is my credit card statement easy to understand? (B)

Staffs tell you when the service will be perform (D)

Clear information (E)

Personal attention

Does someone in my bank recognize me as a regular customer? (B)

Does my broker avoid using technical jargon? (B)

Does the repair firm call when they are unable to keep a scheduled repair appointment?  
(B)

The company has employees who give you individual attention (C)

Undivided attention/ personal attention (D)

Consideration of customers.

Does my broker refrain from pressuring me to buy? (B)

Provision of financial advisors (D)

Consideration of customers' property.

Does the repair person take off his muddy shoes before stepping on my carpet? (B)

Does my brokerage firm know where my stock certificate is? (B)

Consideration for the customer's property (C)

The employees in the company are efficient.

Is my washing machine repaired right the first time? (B)

Employees in the company give you efficient service (D)

Efficient counter service (D)

Efficiency of transactions (E)

Performing the service at the designated time.

Meeting deadlines/performing the service at the designated time. (D)

Convenience (short time for service)/ providing timely/waiting time for service (is not excessive) (D)

Convenience (short time for service) (E)

Speed of the employees / the service

When there is a problem with my bank statement, does the bank resolve the problem quickly? (B)

Are charges for returned merchandise credited to my account promptly? (B)

Employees in the company give you prompt service (setting up appointment quickly) (C)

Employees in the company give you prompt service (setting up appointment quickly) (D)

Mailing transaction slip immediately (D)

Calling the customer back quickly (D)

Fast counter service (D)

Speed of transactions (E)

Service charge

Is the credit limit set by my credit card company consistent with what I can afford (neither too high nor too low)? (B)

Are the interest rates /fees charged by credit card Company consistent with the services provided? (B)

Lower service charge (D)

Lower service charge (E)



Bank size

Bank size (assets and capital) (D)

Bank size in assets and capital (E)

Does my brokerage firm have the research capabilities to accurately track market developments? (B)

Research capability of the organisation (C)

Bank reputation and image (in terms of Islamic law)

Does the bank have a good reputation? (B)

Company name and reputation /the company has your best interests at heart.( C)

Bank name and reputation (D)

Bank Reputation and image (in terms of using Islamic law) (E)

Convenient location of the service facility.

Is the repair service facility conveniently located? (B)

Parking available/convenient location (location of the service facility) (D)

Convenient branch location (E)

Branching (number) (D)

Convenient branch number (E)

Cash point to use.

Improve cash machines (D)

More cash points can be used (E)

Convenient opening hours.

Does the credit card company have a 24 hours, toll-free telephone number? (B)

The company has convenient business hours (C)

Availability and dependability (more till open at peak time) (D)

Convenient opening hours (hours of operation) (D)

Closing in Friday prayer time (E)

Easy to deal with.

How easy is it for me to talk to senior bank officials when I have a problem? (B)

Is it easy to get through to my broker over the telephone? (B)

Is the repair firm willing to be flexible enough to accommodate my schedule? (B)

Easy access by telephone (C)

Easy to deal with/ open or access to account information (E)

Employees in the company have the knowledge to answer your questions

When I call my credit card company, is the person at the other end able to answer my questions? (B)

Employees in the company have the knowledge to answer your questions (C)

Knowledge of customers' business. (D)

Knowledge of the staff (Islamic). (E)

Employees in the company are never too busy to respond to your request.

Is the repair firm willing to give me a specific time when the repair person will show up?  
(B)

Employees in the company are never too busy to respond to your request (C)

Being demonstrably responsive to the customer's requests. (D)

Employees in the company are always willing to help you.

Is my stockbroker willing to answer my questions? (B)

Employees in the company are always willing to help you (C)

Never too busy to respond and willing to help (D)

Shows sincere interest

When I call my credit card company, are they willing to listen to me? (B)

When you have a problem, the company shows a sincere interest in solving it (C)

When you have a problem, the company shows a sincere interest in solving it (D)

The way employees treat you.

Are the telephone operators in the credit card company consistently polite when answering my calls? (B)

Does my broker refrain from acting busy or being rude when I ask questions? (B)

Does my broker refrain from acting busy or being rude when I ask questions? (B)

Employees in the company are consistently courteous with you (C)

Ability to provide friendly service (D)

Way staff treats customers (D)

Friendly / polite staff (E)

The behaviour of employees in the company instils confidence in you.

Is the bank teller able to process my transactions without fumbling around? (B)

The behaviour of employees in the company installs confidence in you (C)

The behaviour of employees instils confidence in their customers (D)

Confidence in bank staff (E)

You feel safe in your transactions with the company/ you feel safe financially

Is my credit card safe from unauthorized use? (B)

Financial security and confidentiality (C)

You feel safe in your transactions with the company (C)

Security of transaction/customers feels safe in their transactions (D)

Security of banking and transactions (E)

Association with Islamic centres (E)

You feel safe with the bank

Is it safe for me to use the bank's automatic teller machines? (B)

Physical safety (C)

Confidentiality of bank (political) (E)

Association with well-known organization (E)

Explain the service/fit with Islamic law.

Does the repair firm guarantee its services? (B)

Readiness of staff to tell customers (when / how) exactly things will be done (D)

Explain the service/fit with Islamic law (E)

Telling the truth (E)

Explain the cost of services.

Does the repairperson appear to know what he is doing? (B)

Explaining the service itself and how much will cost. (C)

Explain the cost of services. (E)

Explain the Halal profit.

Can the loan officer explain clearly the various charges that related to the mortgage loan?

(B)

Explaining the trade- offs between service and cost. (C)

Explain the Halal profit. (E)

Confidence in bank's Sharia advisors

Does my broker try to determine what my specific financial objectives are? (B)

Assuring the consumer that a problem will be handled (C) and (D)

Employees in the company understand your specific needs (C)

Confidence in Bank's Sharia advisors (E)

Confidence in bank management

Confidence in bank management (D)

Confidence in bank management (E)

Building has an Islamic appearance (architecture)

Are the bank's facilities attractive? (B)

The company's physical facilities are visually appealing (C) and (D)

Bank statement, leaflets, letters.

Physical representations of the service, such as a plastic credit card (C)

Materials associated with the service (such as pamphlets or statements) are visually appealing at the company (physical facilities in accordance to service) (C and D)

Islamic physical appearance (E)

Do the tools used by the repair person look modern? (B)

The company has modern looking equipment (C and D)

Prayer room

Prayer room (E)

Ladies section.

Ladies section (E)

The staff appearance.

Is my stockbroker dressed appropriately? (B)

Employees/ clean and neat appearance of public contact personal(C)

Appearance of personal (D)

Female staff (on the ladies section) (E)

Female staff wearing Hijab ( E)

**Appendix 9:**

September 2006

Customer Survey

Dear Customer,

My name is Najat Abdullrahim, a Ph.D. student at Bournemouth University, Institute of Business and Law.

I am conducting a survey on service quality in English Islamic banks and I would like to know your opinion about the level of your expectations and perceptions of Islamic banks' products and services in the UK. It will be really helpful, if you could complete my 'service quality' questionnaire .There are no right or wrong answers; it is your views that are important.

All data and information you give will be kept confidential for academic purposes only and no names will be involved.

Your co-operation is very important, as the results of this study will be used to develop new techniques in order to improve Islamic banking products and services.

Thank you in advance for your time and consideration.

Regards,

PhD Researcher

## Appendix 10:

### Non Islamic bank account holder

a) Do you have a bank account?

- Non Islamic bank account       Do not have bank account

b) What banking services are you currently using?

- Current Account       Savings Account  
 Investment Account       Overdraft  
 Personal Loan       Debit card Credit card  
 Home Mortgage       Other, specify

c) Why do you not have an Islamic bank account?

- Not aware of any Islamic banks or financial institutions offering Islamic banking products and services.
- No information on Islamic banking products or services available in the market.
- Not aware of benefits of Islamic banking as compared to non Islamic banking.
- Not approached by any financial Institution offering Islamic Banking services.
- Islamic banking is practiced properly in Muslim countries only.
- Not interested.       Do not know
- Other, specify

Part one:

How important are each of the following statements when choosing a English

IslamicBank? Please read carefully and tick, as appropriate.

		Very important	Important	Neither important or unimportant	Unimportant	Very unimportant
Services :						
1	Bank runs according to Islamic Law.					
2	Wide range of Islamic products(e.g. Islamic mortgage, Islamic current account).					
3	Wide range of services (e.g. financial advisor).					
4	Low service charge.					
Convenience:						
5	Convenient bank location.					
6	Number of cash machines available.					
7	Convenient opening hours.					
Efficiency:						
8	Short waiting time in bank.					
9	Bank resolves the problem quickly.					
10	Speed of transactions.					
11	Efficient transactions.					
Communication:						
12	Clear communication (e.g. clear statement, clear explanation and answers).					
13	Accurate bank statement.					
14	Easy bank to deal with.					
Employees:						
15	Employees give you individual attention.					
16	Friendly employees.					
17	Polite employees.					
18	Knowledgeable employees.					
19	Helpful employees.					



Security :						
20	Bank size.					
21	Well known bank.					
22	Bank reputation.					
23	Secure banking.					
24	Confidentiality of customer information.					
25	Safe from political action.					
26	Confidence in bank's management.					
27	Confidence in bank's Sharia advisors.					
Physical attributes:						
28	Bank has modern- looking equipment.					
29	Bank's building has an Islamic architecture.					
30	Separate department or counters for ladies.					
31	Bank has a prayer room					
32	Bank has an Islamic appearance.					
33	Female staff wear Hijab.					
34	Closing for Friday prayer time.					

Part Two:

What are your expectations of a English Islamic bank?

Please read carefully and tick, as appropriate.

		Strongly agree	Agree	Neither agree or disagree	Disagree	Strongly disagree
Services :						
1	Bank runs according to Islamic Law.					
2	Wide range of Islamic products (e.g. Islamic mortgage, Islamic current account).					
3	Wide range of services (e.g. financial advisor).					
4	Low service charge.					
Convenience:						
5	Convenient bank location.					
6	Number of cash machines available.					
7	Convenient opening hours.					
Efficiency:						
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30	Separate department or counters for ladies.					
31	Bank has a prayer room					
32	Bank has an Islamic appearance.					
33	Female staff wear Hijab.					
34	Closing for Friday prayer time.					

Personal Information

- a) What is your gender?       Male                       Female
- b) What is your age?     20 or less               21-30               31-40  
     41-50                       51-64               65 plus
- c) What is your highest qualification?
- Doctorate               Masters               First degree
- Professional qualification               Diploma (HE, HND, HNC)
- A Level, Scottish higher or equivalent (NVQ/SVQ level 3)
- O level / GCSE or equivalent (NVQ/SVQ Level 2)
- No formal qualification
- d) What is your gross annual income?
- Less than £10,000               £10,001 to £20,000
- £20,001 to £ 35,000               over £35,000
- e) What is your marital status?     Married               Single  
     Other .....
- f) What is your nationality? .....
- g) What is your ethnic origin? .....
- h) What is your occupation?
- Professional                               Managerial
- Clerical                                       Semi skilled
- Manual worker                               Retired
- Housewife/ Househusband               Student
- Not employed                               other, specify.....

Many thanks for your cooperation. Researcher

**Appendix 11:**

Islamic bank account holder

a) Is your bank account with?

- Non Islamic bank                       Islamic bank

b) What banking services are you currently using?

- Current Account                       Savings Account  
 Investment Account                       Overdraft  
 Personal Loan                       Debit card Credit card  
 Home Mortgage                       Other, specify .....

c) Why did you open an Islamic bank account?

- The use of “Islamic” in describing products and services attracted you to open or change your existing banking arrangements from non-Islamic bank account to an Islamic bank account.
- Transparency of conformity with Islamic principles
- You are aware of benefits of Islamic banking as compared to non-Islamic banking.
- You try to practice your faith.
- Do not know.
- Other, specify.....

Part one:

How important are each of the following statements when choosing a English

IslamicBank?

Please read carefully and tick, as appropriate.

		Very important	Important	Neither important or unimportant	Unimportant	Very unimportant
Services :						
1	Bank runs according to Islamic Law.					
2	Wide range of Islamic products (e.g. Islamic mortgage, Islamic current account).					
3	Wide range of services (e.g. financial advisor).					
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Physical attributes:						
28	Bank has modern- looking equipment.					
29	Bank's building has an Islamic architecture.					
30	Separate department or counters for ladies.					
31	Bank has a prayer room					
32	Bank has an Islamic appearance.					
33	Female staff wear Hijab.					
34	Closing for Friday prayer time.					

Part Two:

What are your expectations of a English Islamicbank?

Please read carefully and tick, as appropriate.

		Strongly agree	Agree	Neither agree or disagree	Disagree	Strongly disagree
Services :						
1	Bank runs according to Islamic Law.					
2	Wide range of Islamic products (e.g. Islamic mortgage, Islamic current account).					
3	Wide range of services (e.g. financial advisor).					
4	Low service charge.					
Convenience:						
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Physical attributes:						
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30	Separate department or counters for ladies.					
31	Bank has a prayer room					
32	Bank has an Islamic appearance.					
33	Female staff wear Hijab.					
34	Closing for Friday prayer time.					

Part Three:

What do you think of your Islamic Bank?

Please read carefully and tick, as appropriate.

		Strongly agree	Agree	Neither agree or disagree	Disagree	Strongly disagree
Services :						
1	Bank runs according to Islamic Law.					
2	Wide range of Islamic products (e.g. Islamic mortgage, Islamic current account).					
3	Wide range of services (e.g. financial advisor).					
4	Low service charge.					
Convenience:						
5	Convenient bank location.					
6	Number of cash machines available.					
7	Convenient opening hours.					
Efficiency:						
8	Short waiting time in bank.					
9	Bank resolves the problem quickly.					
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33	Female staff wear Hijab.					
34	Closing for Friday prayer time.					



## Appendix 12:

SERVQUAL, service quality studies dimensions and items:

Reliability

Reliability: involves consistency of performance and dependability. It means that the bank performs the service right the first time. Also, that the company honours its promises. It is: accuracy in billing, keeping records correctly, performing the service at designated time, keeping promises, wide rang of products.

Reliability items according to service quality studies

<i>Reliability items</i>	<i>account accuracy</i>	<i>keeping promises</i>	<i>meeting deadlines</i>	<i>providing timely</i>	<i>accurate information</i>	<i>improve cash machines</i>	<i>availability and dependability</i>
<i>Study &amp; dimension rank</i>							
Parasurman et al.(1985-1994)/ **							
Gronroos (1984-1988)/ ***							
Newman (2001) /show the largest gap between expectations and perceptions.	√	√	√	√	√	√	
Jabnoun and Al Tamimi (2003)					√		√
Angur et al.(1999)/ * most important.							
Othman (2003) / *							
Cui et al. (2003)/ * distinct dimension							
Jun et al.(2001)/ *	√				√		
Lam (1999)/ * importance II							
Surshchandar et al. (2003)		√		√			
Greenland et al. (2005)/ *							

## Assurance

Assurance: it is the knowledge and courtesy of employees and their ability to convey trust and confidence.

Courtesy; involves politeness, respect, consideration, and friendliness of contact personnel. It is; consideration for the customer's property, clean neat appearance of public contact personal. Competence; means possession of the required skills and knowledge to perform the service. It is; knowledge and skill of contact personal, knowledge and skill of operational support personal, research capability of the bank.

Communication; means keeping customers informed in language they can understand and listening to customers. It includes; explaining the service it self, explaining how much the service will cost, explaining the tradeoffs between service and cost, assuring consumer that a problem will be handled.

## Assurance items according to service quality studies

<i>Assurance items</i>	<i>knowledge of staff to answer customers'</i>	<i>staff ability to provide competent</i>	<i>staff ability to provide confidential service</i>	<i>staff ability to provide courteous service</i>	<i>staff ability to provide friendly service</i>	<i>staff ability to convey trust and confidence</i>
<i>Study &amp; dimension rank</i>						
Parasurman et al. (1985-1994) / ****						
Gronroos(1984-1988) / *						
Newman (2001) /show significant gap btw P & E ,decline in expectations	√	√	√	√	√	
Jabnoun and Al Tamimi.(2003)	√			√		√
Angur et al.(1999) / varying important						
Othman (2003) / *						
Jun et al.(2001)		√		√		
Lam (1999) / *importance I						
Greenland et al.(2005) *						

## Responsiveness

Responsiveness: concerns the willingness or readiness of employees to provide service; mailing a transaction slip immediately, calling the customer back quickly, giving prompt service.

### Responsiveness items according to service quality studies

<i>Responsiveness items</i>	<i>readiness of staff to tell customers when exactly things will be done</i>	<i>the provision of prompt service</i>	<i>giving customers undivided attention</i>	<i>being demonstrably responsive to the customers requests</i>
<i>Rank Study &amp; dimension rank</i>				
Parasurman et al.(1985-1994) / ***				
Newman (2001) / show significant gap between P & E,declining expectations	√	√	√	√
Jabnoun and Al Tamimi.(2003)		√		
Angur et al.(1999)/ * most important.				
Othman (2003) / *				
Cui et al.(2003)/ *				
Jun et al.(2001) / *		√		
Lam (1999) / *importance III		√		
Surshchandar et al. (2003)		√		
Greenland et al.(2005)/ *				

## Tangibles

Tangibles: include the physical evidence of the service; physical facilities, appearance of personnel, tools or equipments used to provide the service, physical representations of the service , other customers service facilitates.

### Tangibles items according to service quality studies

<i>Tangibles items</i>  <i>Study and dimension rank</i>	<i>investment in equipment</i>	<i>appearance of branches in terms of appeal</i>	<i>cleanliness</i>	<i>tidiness</i>	<i>customer leaflets, letters, statements</i>	<i>customer communications</i>
Parasurman et al. (1985-1994) / *						
Newman (2001) /exceeded customer expectations	✓	✓	✓	✓	✓	✓
Jabnoun.and Al Tamimi (2003)/equally significant with empathy	✓	✓	✓	✓		✓
Angur et al. (1999) /varying important						✓
Al- Tamimi et al. (2003) / * most important						
Othman, Abdu (2003) / *						
Cui et al. (2003) / *perceived as a distinct aspest / does shaw consistency cross-culture.						
Jun et al.(2001)						✓
Surshchandar et al. (2003)						✓

## Empathy

Empathy: It is the caring that the bank provide to its customers. It includes;



Credibility; includes trustworthiness, believability, honesty. It involves having customer's best interest at heart. It is bank name, bank reputation, personal characteristics of the contact person, and the degree of hard sell involved in interactions with the customer.

Security; is the freedom from danger, risk, or doubt. It is physical safety, financial security, confidentiality. Access; involves approachability and ease of contact. It means: the service is easily accessible by telephone, waiting time to receive service, convenient hours of operation, and convenient location of service facility.

#### Empathy items according to service quality studies

<i>Empathy items</i>	<i>customers best interests at heart</i>	<i>convenient opening hours</i>	<i>understanding of individual customer needs and problems</i>	<i>providing individual attention</i>
<i>Study &amp; dimension rank</i>				
Parasurman et al. (1985-1994) / *****				
Gronroos (1984-1988) / **				
Newman (2001)/ show significant gap btw P& E, decline in both perception and expectations.	✓	✓	✓	✓
Jabnoun and Al Tamimi (2003)/ it is equally significant with tangibles.	✓			✓
Angur et al. (1999)/ *varying important *				
Al- Tamimi et al. (2003)/ *most important*				
Naser et al. (1999)				
Othman (2003)/ *				
Stafford (1994)				
Cui et al. (2003) / *distinct dimension				
Jun et al.(2001)			✓	
Ting, D (2004)				
Lam (1999)/ *importance III		✓		
Surshchandar et al. (2003)		✓	✓	
Greenland et al.(2005)/ *				

Other items according to service quality studies

<i>Dimensions &amp; Items</i>	<i>Study &amp; dimension rank</i>	<i>Cultural dimensions</i>	<i>Human Skills</i>		<i>Staff conduct</i>	<i>Access</i>
			ability of staff to provide customer services	Assurance, reliability, responsiveness, empathy		
Gronroos (1984-1988)		✓				
Jabnoun and Al Tamimi (2003)/ the most significance between the dimensions.			✓	✓		
Angur et al. (1999)						✓
Othman (2003)		✓				
Jun et al.(2001)						✓
Lam (1999)		✓				
Surshchandar et al. (2003)		✓				
Greenland et al.(2005)		✓				
Dar (2004)		✓	✓✓			✓✓

Other items according to service quality studies

<i>Dimensions</i>	<i>Study &amp; dimension rank</i>	<i>Credibility</i>	<i>Staff and Staff / Customer interactions</i>	<i>Number of accessible &amp; working ATMs</i>	<i>company structure</i>	<i>four available service</i>	<i>security</i>	<i>fairness</i>	<i>fixing mistakes</i>	<i>guarantees</i>	<i>basic service</i>	<i>continuous improvement</i>
		Al- Tamimi et al. (2003) / *		✓	✓							
Stafford (1994)				✓	✓	✓						
Cui et al. (2003)/ *		✓					✓	✓	✓	✓	✓	
Jun et al.(2001) / *												
Ting (2004)		✓					✓					✓
Greenland et al.(2005)				✓								