



DETERMINING FACTORS OF CUSTOMER SATISFACTION IN PAKISTANI ISLAMIC BANKING

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Abstract

Purpose of the paper – This research paper aims to expand and clarify how customer satisfaction in Pakistan's Islamic banking industry is conceptualised and measured.

Design/methodology/approach – The authors discuss the set of characteristics that can be used to measure customer satisfaction scores for shariah compliant Islamic banks. The likelihood of categorising these characteristics into quality dimensions is then raised. Subsequently, the confirmatory factor analysis methodology is used to evaluate numerous alternative structures and test their validity and reliability.

Findings – The results of this study show that there are two factors that influence service quality in Pakistani banking that uses Islamic services in the commercial format: the quality of the value proposition and the quality of the service itself .

Keywords: Pakistan, Islam, Customer satisfaction, Customer services quality, Service delivery quality, Islamic banking, Value proposition.

1. Introduction

Numerous studies on bank marketing have concentrated on individual clients of commercial banks during the past 30 years or so. Researchers in Bank marketing in the United States, Canada, Far East, Europe and the Gulf countries (middle east) have shown a particular



interest in the individual customer satisfaction of commercial bank (G. Mihelis, 2001). Over the past 5 years, Islamic banking has also flourished as a kind of banking (Riyadh, 2015).

“Islamic financial institutions have been able to enter international markets successfully, currently managing \$700 billion in assets and the size of dealings affects local markets in some countries. The average of worldwide growth rate in the size of the assets of Islamic banks and institutions has been 24% over the last five years. There is a larger increase in the number of new Islamic banks and financial institutions than traditional ones in various countries, not just Moslem countries”

Islamic banks have increased in size and number every year since 1971 (Metawa, 1998). Adaption of Islamic banking as an alternative to traditional(interest-based) banking is growing around the globe. The second-largest religious group on earth is composed of Muslims. Islamic adherents' number 1.9 billion, or about 24.7% of the world's population, according to an estimate for the year 2020 (Center, 2012). Despite being present on all five inhabited continents, Asia is home to more than 60% of the world's Muslims (Hassan, 2008). In various subregions, including West Asia, Central Asia, North Africa, the Sahel, and the Middle East, Islam is the predominant religion (Pew, 2011). The global Islamic finance market is sizable, with a total market value of \$2.2 trillion, and serves around a quarter of the world's population's financial demands. The region of the Middle East, Africa, and South Asia (MEASA) is crucial to its growth. (S&P, 2021). To maintain market share, major multinational interest-based (conventional) banks are increasingly exhibiting interest in the shariah compliant Islamic banking system. To operate in conformity with Islamic Shariah norms, Citibank, for instance, has opened offices in countries like Sudan and Bahrain (Ahmad Jamal, 2002). In 2003, HSBC introduced HSBC Amanah, its global Islamic banking arm, which is presently active in 12 Islamic nations. In the past thirty years, banking and finance based on Islamic principles have matured into a complete discipline and system that is supposedly developing at a rate of 15% annually. Approximately 75 nations throughout the world currently have Islamic financial institutions operating in one way or another. A number of countries are being in a process to establish Islamic banking on a nationwide and comprehensive scale, in addition to the particular financial institutions that operate there. They now actively participate in transactions on the money and capital markets due to the significant development of the instruments they use on both the assets and liabilities sides. Islamic banks and interest-free financial institutions coexist in Malaysia, Bahrain, and a few other Gulf nations with the established order. Top worldwide banks are paying attention in Islamic banking operations because, firstly, Muslims make up 1/5th of the world's population. The Muslim community is not just a sizable portion of the population but also expanding. Muslims make up a sizable portion of the populations of emerging market nations including China, Malaysia, India, Pakistan, Indonesia and Turkey.

In 1977–1978, Pakistan's banking and financial sector began to become more Islamic. Pakistan was one of the three nations that had been attempting to adopt interest-free



banking on a widespread country-wide. Islamization initiatives included the withdrawal of interest from the activities of commercial banks from the beginning of 1981 to the middle of 1985 and those of specialized financial organizations such as ICP, HBFC, and NIT in July 1979. Meezan Bank is operating as a full-bloomed Islamic bank with over 900 branches, according to the condition of the Islamic banking sector in Pakistan as of the end of June 2022. Additionally, 12 dedicated Islamic Banking Branches (IBB) have been licenced by 5 banks (Bank Alfalah, Habib Bank AG Zurich, Muslim Commercial Bank (MCB) and Standard Chartered Bank), of which 10 branches are currently operational in major Pakistani cities including Lahore, Karachi, Islamabad, Peshawar, Multan and Faisalabad. During FY2004-5, these banks intend to offer Islamic banking services in Quetta, Hyderabad, Gujranwala, and other significant cities (SBP, n.d.). In 2021, Islamic banks' total assets experienced a sharp growth of 30.6% yoy to PKR5,577 billion (USD32 billion). Islamic branches of conventional banks contributed significantly to the banking system, with a 45.7% share of overall Islamic banking assets by end-2021. (Fitch, 2022).

Bank service managers frequently use metrics for customer satisfaction and service quality to assess how well their banks are satisfying client needs (Rentz, 1996). Service marketers and academic academics have focused a lot of attention on service quality and customer satisfaction. Two factors customer satisfaction and service quality have grown to be crucial for marketing theory and practice because several studies have shown (Taylor and Cronin, 1992) their connections to favorable consumer outcomes.

Most services, together with financial services, have contributed to more judicious and demanding consumers. The development of customer care efforts to enhance the quality-of-service provision is the outcome of managers becoming more customer-focused as a result of rising expectations for financial services.

It is commonly recognized that quality is important in the banking services sector. In contrast to Islamic banks, which provide bank services but also have a sizable portion of particular Islamic services, the examples analyzed have mostly involved general bank services. (G. Mihelis, 2001)

Islamic banks and other financial institutions are better prepared to benefit from having a customer base that is mainly satisfied if they are aware of the aspects that go into that contentment. Because doing so should result in satisfied consumers who will remain devoted to the service and suggest it to other prospective customers, meeting customers' expectations for essential elements of service quality is the reason.

The purpose of the current study is to review the set of characteristics that can be included in measuring customer satisfaction for Islamic banks while taking these viewpoints and findings into consideration. Next, the possibility of classifying these traits into quality dimensions is raised. After that, many alternative structures are evaluated using confirmatory aspect analysis methods, and their validity and reliability are tested.



2. Literature Review Customer Satisfaction

“Customer satisfaction is the degree to which a customer perceives that an individual, firm or organization has effectively provided a product or service that meets the customer’s needs in the context in which the customer is aware of and/or using the product or service. Satisfaction is not inherent in the individual or the product but is a socially constructed response to the relationship between a customer, the product and the product provider /maker. To the extent that a provider/maker can influence the various dimensions of the relationship, the provider can influence customer satisfaction”. (Reed, 1997)

Customer satisfaction is the sentiment you have when your expectation, associated with a product/ service, as a customer are met which results in overall satisfaction with service. A happy customer will purchase the goods or service again and will recommend the service they received to other potential consumers. (P.G., 2005). In the very competitive corporate world of today, marketing managers are more impacted by customer expectations, and it is crucial for them to match the demand for customer satisfaction (Cengiz, 2010). Consequently, gauging account holders’ satisfaction can give bank management somewhat reliable signs of potential future patronage of their offerings.

Due to this, one of the many service areas that have been the subject of satisfaction of customers study is the banking sector. As a result, customer pleasure is now the emphasis of extensive marketing theories, marketing research and practices among marketers specific to banks (Moutinho, 2007). One of the main reasons is that banks' ability to compete in taking lead is determined by fiercer competition (Almossawi, 1998). Consequently, there is a plenty of literature focusing the idea of consumer satisfaction (Mittal & Anderson, 2000).

Today, most service businesses place a high priority on achieving customer satisfaction (Sasser W. a., 1995) as increased profitability, encouraging word-of-mouth, and reduced marketing expenses result from customer satisfaction (Ward, 2006). Several studies recommend that there is a direct relationship between staff satisfaction and customer satisfaction (Kenneth L. Bernhard, 2000)

The authors, however, were unable to trace any studies that were exclusive to Pakistani Islamic financial organizations including Islamic banks. This study will also advance knowledge by examining this link in the perspective of Islamic banking in Pakistan and financial service value.

2. Quality of Service and Client Satisfaction

Customer satisfaction is essential since it directly affects how many a business can retain (Hansemark, 2004). The distinction between customer satisfaction and service quality, however, has caused a little confusion among some Islamic bankers. Service quality academics



have disagreed over the experimental and conceptual overlap between these two terms (Oliver, 2007). Generally speaking, satisfaction is seen as a more broad notion, whereas service quality is more focused on specific service aspects. In contrast to service quality evaluations, which are primarily cognitive processes, satisfaction involves both cognitive and affective evaluations. (Crompton, 2003). Account holders satisfaction and service quality are strongly correlated, according to numerous studies in the literature on services marketing (Kasiara, 2001).

Since each construct is covered in greater detail elsewhere, this section only provides an outline of the prevalent state of service quality and satisfaction study. Nevertheless, there is substantial evidence to suggest that service quality and customer satisfaction are separate concepts and that there is a causal connection between the two concepts (GHG, 1996).

Robert (1995) used some aspect of Oliver's (1997) consumer satisfaction theory to study the correlation between enjoyment and satisfaction and the non-confirmation of customer's expectations. A little over 12 per cent of the difference in customer's satisfaction was explained by enjoyment, and around 16 percent by expectancy disconfirmation, according to his research. In the literature on bank marketing, service quality has been a widely studied subject. Over the past forty years, efforts have been made to comprehend and evaluate the notion of service quality. A service's perceived performance (P) and perceived expectations (E) are compared to determine its service quality (SQ), which is expressed as $SQ=P-E$. The expectancy-disconfirmation paradigm serves as the basis for this conceptualization of service excellence (Balakrishnanm, 1994).

The impression of excellence that a customer has about a product, brand, or company is known as perceived quality. It is derived through sight, hearing, touch, and scent. Providing good service quality is one of the key tactics for a company's financial viability (Sasser W. a., 1990). Financial service businesses including banks rely on customer trust, and a key aspect in determining their success is how well they provide their services. Customer loyalty, which is directly established by their satisfaction, is what essentially drives a company's profit and growth (Gabcova, 2014).

Researchers often use one of two conceptualizations of service quality in the literature on service management. The first is the Scandinavian viewpoint, as proposed by Gronroos by segregating the service quality into two dimensions (i) technical and (ii) functional quality (Gronroos, 1991). Technical quality is concerned with the elements of services that can really be delivered to customers. Functional quality focuses on the mechanism of delivery and relates to the intangible components of services. Functional quality specifically has to do with how employees treat customers when rendering services. To differentiate between what customers receive and how they receive it, Gronroos (1991) takes into account how the staff interacts with customers. To conceptualize the service quality the second viewpoint described by Zeithaml (1985) through a SERVQUAL instrument. The devised instrument documents the range of qualities important to consumers of a service. After further investigation, Zeithaml's list of ten general service quality elements was condensed into five groups: responsiveness, assurance, tangibles, reliability, and empathy. The phrase "tangibles" refers to items like



infrastructure, equipment, and personnel appearance. Reliability is the ability to provide committed service regularly and exactly. Being responsive means being eager to help customers and providing quick services. Assurance is the ability of an employee to motivate confidence and trust via their knowledge, manners, and knowledge. Empathy is the kind of thoughtful, customized service that a company provides to its customers (Zeithaml, 1985).

Going-forward, management of Islamic banks should be curious to learn precisely how their services affect the behaviour of their clients. They must be aware of the precise elements of their offerings that affect clients' pleasure and opinions about the caliber of their services. Examining the major occurrences connected to the service is one strategy that could assist in answering this query.

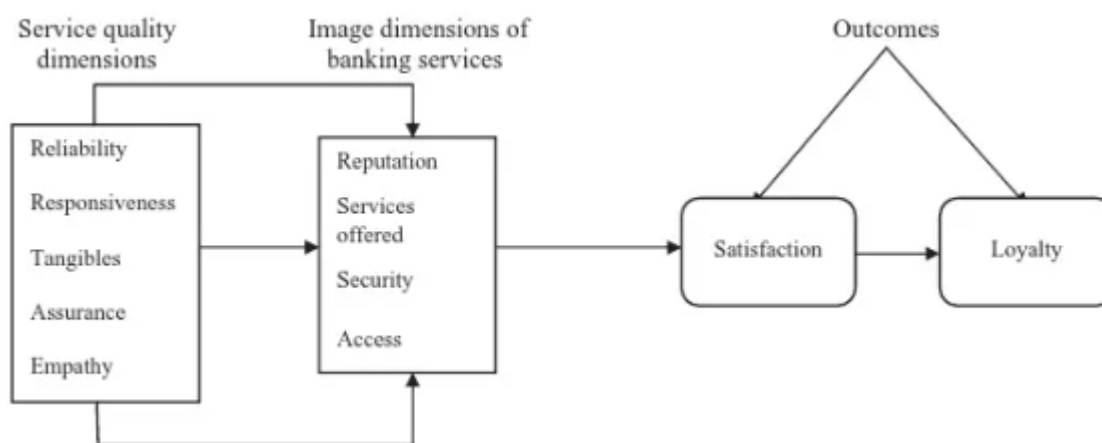
3. Research Hypotheses and Development of Conceptual Foundation

There are many components that can be measured because of customer satisfaction research. The quality of the goods and services provided often has an impact on customer satisfaction. Studies on evaluating the quality of services in a variety of sectors, including the banking industry, show that these studies mostly focus on the delivery of service elements.

As described by Brady and Cronin “service quality is defined by either or all of a customer’s perceptions regarding: (1) an organization’s technical and functional quality (2) the service product, service delivery, and service environment; or (3) the reliability, responsiveness, empathy, assurance and tangibles associated with a service experience” (Michael K Brady, 2001). It is a particular mindset that emerges from a comparison between expectations and performance perceptions. Customers' attitudes and opinions are shaped by all five of the service quality dimensions: dependability, responsiveness, assurance, empathy, and tangibles . The service quality score rises if each of the five dimensions receives a favorable rating. (Souiden, 2011). The theory underlying each service quality dimension, and how it impacts customer satisfaction and each image component, are covered in more detail below.

A conceptual model with three dimensions is suggested (figure-1) in this study to discover factors influencing customer satisfaction in the retail banking sector. According to a framework that has been used to describe the factors influencing customer satisfaction at a variety of service providers, including Islamic banks and credit institutions, Figure 1 illustrates the dimensions of service quality and image that banking services have adopted for explanatory purposes. Each component/ dimension, including attributes and components, is explained below.

Figure-1



The components of the service quality dimensions are those that are embedded in the service itself as its features. The bank's services range, which includes current, investment and savings accounts, makes up the first part of this category. Image dimensions of banking services are covered in the second part of the explanatory variable of the model.

Theorization of the Hypotheses

The first factor in our conceptual model is value delivery quality, formerly known as service quality. In this study, the operational definition of the value delivery quality dimension is the five Parasuraman service quality measures. Responsiveness, reliability, assurance, tangibles, and empathy are the four characteristics that clients weigh when creating overall service quality ratings. (Zeithaml, 1985). Offering clients accurate and timely information about elements like service features and price allows them to make the best potential purchasing decision. Based on widely held beliefs about how consumers perceive and respond to prices, pricing decisions are determined. The third element in this dimension is convenience, and the fourth elements are brand and reputation. In Islamic retail banking, these four factors directly influence the model's first dimension, customer satisfaction. The dependent variable in the suggested model that is affected by the dimensions is customer satisfaction and loyalty. Three hypotheses were tested in accordance with the research conceptual model.

Reliability: Customers assess a bank's service quality by determining whether they can rely on it or not. In several businesses, including banking, reliability has been discovered to be the most significant component of evaluating service quality. In several service sectors, including banking, reliability was shown to be the most significant factor in evaluating the quality of a service.

Responsiveness: Responsiveness emphasises how ready and willing bank employees are to help customers. The availability of a bank service can also be evaluated based on its willingness



and readiness (Isa, 2008). This study aims to look into how responsiveness influences various aspects of service image, including service availability, customer satisfaction, security, and reputation.

Tangibles: The physical surroundings, tools, and people appearance are all included in this dimension. Tangibles are the outwardly apparent components of a bank and its surroundings (Zeithaml, 1985). The current study's objective is to assess the direct impacts of tangibility on the characteristics of the bank's service image (such as service supplied, service availability, reputation and security).

Assurance: The ability to instill confidence in consumers regarding the security of their deposits and transactions is known as assurance. The ability to provide services in a professional manner is referred to as assurance (Ladhari et al, 2011). According to this argument, assurance could improve the bank's security, reputation, and ability to provide services.

Empathy: In accordance with Saleem (2016), empathy is the capacity to identify the requirements of clients and cater to their demands. The development of a relationship and favourable opinion between customers and banks may result from treating customers with respect and paying special attention to them. This demonstrates how empathy could be important for enhancing image components such service accessibility, service offers, security, and bank reputation.

Security: Security is a feeling of protection against risk, danger, or uncertainty. Security includes maintaining the physical safety, reducing risks, maintaining financial stability, and maintaining the confidentiality of the client's financial and personal information. According to research, clients prefer workplaces that are secure and safe. (Flavian, 2004). Customers' satisfaction with banks may be significantly influenced by security.

Access: Access refers to how easily and conveniently customers can use the services that banks provide for their clients. Accessibility as a component of service image may have a major direct or indirect impact on bank customers' loyalty and satisfaction. Prior research hasn't looked at any direct connection between accessibility and client satisfaction with traditional or Islamic banks.

Services offered: Profit/ markup paid on deposits, commission for services, and interest charged for loans are just a few of the appealing services that banks must provide to their clients (LeBlanc, 1996). Customers of Islamic and conventional banks could be satisfied by the diversity of service packages offered.

Reputation: Reputation transmits to the public how a company's goods or services, business plans, employment opportunities, and prospects stack up against those of rival corporations (Shanley, 1990). Customers are more likely to remain loyal to reputable, long-standing banks. They believe that reputable banks can satisfy their customers with more sophisticated and



superior services. One of the most important intangible resource of a company's image and one that significantly influences client satisfaction at a financial institution is its reputation.

Satisfaction and loyalty: Customer satisfaction is a state of confirmation or disconfirmation of expectations, an appraisal of the service, and the service's performance in relation to a recognized model in a category (Saleem, 2016). Within ambit of this definition of customer satisfaction, it refers to their overall sense of contentment or despair when using the bank's services. According to research, customer loyalty is significantly anticipated by customer satisfaction (Ehigie, 2006). The main dependent variable in this study is loyalty, which is affected by satisfaction. Researchers in services marketing have examined how customer loyalty and satisfaction are related in developing countries (Souiden, 2011). Not much is recognized, however, about their cumulative effects on the service quality dimension, image, and comparative context. All five aspects of service quality and four additional factors are thought to influence satisfaction. Consequently, 10 indicators derived from earlier studies are employed in this study to assess the bank loyalty of the consumers. Loyalty reflects the depth of the client-bank connection. (Charles, 2010).

In this paper, the above cited theoretical propositions are put to the test to learn more about how established theories can be applied to Islamic banking systems in the Pakistani market. The study also looks at how broadly applicable the aforementioned statement might be. In this context, the study intends to test the following hypotheses:

- H. 1.* in Islamic banking contexts, a service quality feature for instance **reliability** has a positive impact on the banking service's reputation, services offered, security, and accessibility
- H. 2.* In Islamic banking service quality factors like **responsiveness** has a favorable effect on the perception of banking services' (a) reputation, (b) services offered, (c) security, and (d) access
- H. 3.* The image of banking services, including (a) services offered, (b) reputation, (c) access and (d) security in Islamic banking, are positively impacted by service quality dimensions such as **tangibles**.
- H. 4.* In the Islamic banking system, the **assurance** of a service's quality has a positive effect on the perception of that service's services offered, reputation, accessibility and security.
- H. 5.* **Empathy** is a component of service quality that positively affects Islamic banking's perceptions of accessibility., services offered, reputation and security
- H. 6.* Customer satisfaction in Islamic banks is positively impacted by aspects of the banking service image such as (a) services offered, (b) reputation, (c) security, and (d) access .
- H. 7.* Customer loyalty in Islamic banks is significantly influenced by bank client satisfaction.

4. Research methodology

4.1: Sample and Study design



The fields of study have been chosen using an empirical research methodology. The databases of leading Islamic banks in Pakistan were used in the study as a sample setting. Based on the databases of those organisations, 1,000 bank clients from Islamic banks who had been with the bank for more than five years were chosen as a sample. To get access the client database of Meezan Bank Ltd. in Karachi and Lahore, the two largest cities in Pakistan, the researchers took advantage of their personal networks. 654 Meezan bank clients responded to random phone calls soliciting participation and consented to do the poll. There were 253 responses in all, giving a response rate of 39%.

To determine whether the data were normal, the mean, mode, median, skewness, and kurtosis were computed throughout the data refinement phase. Using the Mahalanobis distance approach, univariate outliers with standardised z scores of 3.29 and multivariate outliers were appraised to find the most excessive outlier cases (Tabachnick, 2001). A structure equation modelling (SEM) model was tested using AMOS software on a final sample of 225 client data sets from the bank.

4.2: Questionnaire development

To evaluate the applicability of the measures, a pilot questionnaire was created. This analytical tool has undergone numerous definitions. The study instrument underwent pre-testing for appropriateness, clarity, and relevance before the final survey was conducted. The questionnaire measured responses to the pertinent items using a seven-point Likert scale (1 14 strongly disagree to 7 14 strongly agree).

5. Data analysis and findings

Table I displays the conclusions from the hypothesis testing.

Hypotheses	Predicted relationship			Results		
	IV	Path	Dependent Variable	β value	CR	P
H1-a	Reliability	→	Reputation	0.86355	14.0624	***
H1-b	Reliability	→	Service offered	-0.04465	-1.0528	0.2438
H1-c	Reliability	→	Security	0.0076	0.1692	0.78568
H1-d	Reliability	→	Access	0.01235	0.2444	0.73232
H2-b	Responsiveness	→	Reputation	0.70775	3.3558	***
H2-c	Responsiveness	→	Service offered	0.12825	0.71252	0.41308
H2-a	Responsiveness	→	Security	0.52915	2.7448	**
H2-d	Responsiveness	→	Access	0.0931	0.42958	0.59616
H3-b	Tangibility	→	Reputation	0.1748	1.9176	*



H3-c	Tangibility	→	Service offered	0.209	2.5192	***
H3-a	Tangibility	→	Security	0.2014	2.3218	**
H3-d	Tangibility	→	Access	0.0304	0.31114	0.6808
H4-c	Assurance	→	Reputation	0.7771	3.76	***
H4-b	Assurance	→	Service offered	0.77045	4.0044	***
H4-d	Assurance	→	Security	1.60075	6.2698	***
H4-a	Assurance	→	Access	1.4478	5.7528	***
H5-d	Empathy	→	Reputation	0.09025	0.423	0.6007 6
H5-c	Empathy	→	Service offered	0.0931	0.4841	0.5584 4
H5-b	Empathy	→	Security	0.21755	1.081	0.2290 8
H5-a	Empathy	→	Access	0.3857	1.6074	0.0809 6
H6-a	Reputation	→	Satisfaction	0.7942	12.7746	***
H6-b	Service offered	→	Satisfaction	0.6327	7.6328	***
H6-c	Security	→	Satisfaction	0.4427	3.4122	***
H6-d	Access	→	Satisfaction	0.00855	0.09024	0.8500 8
H-7	Satisfaction	→	Loyalty	0.48355	10.0204	***
Note: *, **, *** Results significant at 0.05, 0.01 and 0.001 levels, respectively						

There were four subgroups for each of the study's first six hypotheses, for a total of 25 hypotheses investigated across the general six hypotheses and the supplementary hypothesis. The SEM approach was used in AMOS to examine the proposed hypothesised model because this study offered a multivariate model. Hypotheses testing results reveal that reliability, one of the service quality aspects, is a highly important predicting factor of Islamic banks' reputation. ($t_{\text{value}} = 14.06$, prob. value < 0.001). Responsiveness is a crucial element in the H2a-H2d service quality dimension and affects the reputation of Islamic banks in general. ($t_{\text{value}} = 3.3558$, prob. value < 0.01) and security ($t_{\text{value}} = 2.7448$, prob. value < 0.01). Because none of the other characteristics were significantly influenced by responsiveness in Islamic banks, our findings only partially support H2a and H2c. A further factor that significantly affects reputation is the tangible nature of bank services ($t_{\text{value}} = 1.9176$, $p < 0.05$), security ($t_{\text{value}} = 2.3218$, prob. value < 0.01), service offered ($t_{\text{value}} = 2.5192$, prob. value < 0.01), of Islamic bank.

Assurance was discovered to be a very strong predicting factor for reputation ($t_{\text{value}} = 3.76$, prob. value < 0.01), service provided ($t_{\text{value}} = 4.0044$, prob. value < 0.01), security ($t_{\text{value}} = 6.2698$, $p < 0.01$), and access ($t_{\text{value}} = 5.7528$, prob. value < 0.01), supporting all image factors



of Islamic banks (H4a-H4d). The empathy entirely rejecting H5a-H5d does not support any of the service image components.

Further, among the image factors, reputation ($t_value = 12.7746$, $p < 0.01$), service offered ($t_value = 7.6328$, prob. value <0.01) and security ($t_value = 3.4122$, $p < 0.01$) were found to be highly significant predictors of Islamic banks' client satisfaction. Also shown to be highly significant predictors of customer satisfaction for Islamic banks were the image components reputation ($t_value = 12.7746$, $p < 0.01$), service given ($t_value = 7.6328$, $p < 0.01$), and security ($t_value = 3.4122$, prob. value <0.01). Highly important criteria for an Islamic bank's client satisfaction were reputation ($t_value = 12.7746$, prob. value <0.01) and service offers ($t_value = 7.6328$, prob. value <0.01). Since H6d yields $p\ value > 5\%$ (i.e. 0.85 or 85%) therefore it is being rejected that customer satisfaction is significantly dependent on the access. Last but not least, consumer loyalty and satisfaction have a substantial impact, totally validating H7.

Discussion of the findings

Research has established the reliability of service quality measures, which play a critical role in determining customer satisfaction. In assessing service quality standards in banks, customers consider various dimensions, which are key determinants of their satisfaction. A recent study revealed interesting findings regarding the perception of Islamic bank customers towards service quality dimensions. Generic service quality dimensions were identified as the most significant aspects of service image, along with security, reputation, and services provided, which influenced customer satisfaction. The responsiveness, reliability, assurance, and tangibility of service quality significantly impact the reputation of Islamic banks. Notably, responsiveness is crucial for the security of Islamic banks. Tangibility and assurance also contribute to improving the service offerings and security of Islamic banks. The study also found that customers perceive Islamic banks differently in terms of tangibility, assurance, reliability, and responsiveness. Additionally, the study indicated that three elements- reputation, services provided, and security- positively impact service image and improve customer satisfaction in Islamic banks. Overall, the security concern is a crucial factor in determining customer satisfaction with Islamic banks.

In Pakistan, customers prioritize factors such as dependability, responsibility, security, and reputation when selecting their financial service providers, particularly in Islamic banks. This is due to the growing concern among the public regarding the security of their deposits. As a result, customers carefully consider the service quality and reputation of banking service providers in the market. These findings align with Pakistan's current sociocultural and ethical climate. A banking service provider's reputation is typically based on various elements, including their service consistency, ethical and responsible behavior towards clients, trustworthiness, and policies implemented to safeguard clients' resources.

The study's findings confirm previous research that satisfied customers play a vital role in establishing customer loyalty in Islamic banks (Peeters, 1998). Hence, the study contributes to



the existing knowledge and reinforces the notion that client satisfaction is a crucial indicator of success for Islamic banks, regardless of the circumstances. This research also validates the SERVQUAL dimensions and their impact on the banking service image, explaining customer satisfaction and loyalty in a comparative setting within Pakistan's dynamic emerging market. This aspect is the study's unique contribution.

Constraints and future Research

The study has some limitations as it collected data from consumers of Islamic banks in only one research setting. To capture any changes in the findings over time and in multiple emerging market-based economies, future research could employ a longitudinal approach to measure service quality, customer satisfaction, and customer loyalty for at least five years. Additionally, further studies could examine the research model used in this work in the context of Islamic banks operating in non-majority countries to gain more insights into the issues explored in this research.



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