

# Customers' Perception of Service Quality of Islamic Bank in Bangladesh: An Empirical Analysis of Shahjalal Islami Bank Limited

S M Feroj Mahmood<sup>1</sup>

<sup>1</sup> Notre Dame University Bangladesh

*Received: 12 April 2015 Accepted: 2 May 2015 Published: 15 May 2015*

---

## Abstract

After Indonesia and Pakistan, Bangladesh is considered to be the third large Muslim populated country. The banking consumers now prefer Islamic Banking to conventional banking. In order to fulfil the higher demand of products and services of Islamic banking requires not only superior quality service but also prompt response to customer. In addition economical in operating system, strict compliance to Islamic Shari'ah and satisfactory community service through job creation and guaranteeing consistency in service provisions are also required. The study finds that consumers in Bangladesh really interested in Islamic banking and alongside they want superior customer value and satisfaction. SERVQUAL perception is fully used to find the service quality of Islamic banking in Bangladesh and also followed the five important instruments to identify the customers' observation of Shari'ah banking.

---

**Index terms**— islamic banking, service quality, customer perception.

## 1 Introduction

At present we can say that Bangladesh is now developing from their previous financial situation.

Without banking transaction and we can't deny the necessity of Bank as a financial institution. Bangladesh economy is mainly depending of foreign remittance and the growth of banking industry is making the Bangladesh economy more strong. Investment is the main responsibility for any bank to earn profit, whatever it is conventional bank or an Islamic bank. The operation of Islamic bank is regulated by monotheism principles, whereas the activities of standard banks are controlled by general banking rules and regulation. The main activities of bank refer to the organization providing deposit to the investors and giving withdrawal facilities to the general people. According to Woelfel (1993, p. 69), "a modern bank is an institution responsible for receiving, collecting, transferring, paying, lending, investing, dealing, exchanging and serving money and claim to money both locally and internationally. The main purpose of bank is to earn maximum return from the investors and lender".

The functioning system of Islamic bank is much similar of other tradition bank from the long period. They also organize deposits and invest the money as a loans based on Islamic Law (Shari'ah), which are different from the other traditional or commercial banks. In that sense Islamic banking is different from traditional banking in many other ways. Such as, the injunction of dealings based on interest rate and the constraint that banking procedures are carried out according to definite processes through the use of certain financial In trendy competitive atmosphere, the pursuit of service quality is taken into account to be a necessary strategy. There are a very important issue arise when marketers try to provide service to the consumer, because marketer always need to think from the customer point of view about the service quality that is given to the consumer and then the marketer try to provide the best service to the general people. To archive the consumer attention, marketers conduct a very extensive research to get some ideas of customer ultimate expectation and then they

use the research finding for the betterment of the customer. After that the bank can develop their service quality dimension to satisfy the customer expectation and their need.

Over the last few decades, Islamic banking industries have qualified an outstanding progress into the banking sector and develop the new ideas for the Islamic banking sector. Approximations suggest that global Islamic financial services grew at a rate of 10%-15% during 1995. The report is designed in five parts: Starting with introduction Part one focuses on the previous researches in service quality, test of perception and basic information of Islamic banking, Part two presents finance and economic information, Part three points out the data, variables and methodology, Part four shows the analysis of results and Finally, part five finishes with concluding the study.

## 2 II.

### 3 Literature Review

At the beginning of 21st century Islamic banks have started their operations. There is a growing rivalry among Islamic banks and conventional banks to attain new customers as well as to retain existing customers. Banks providing standard service quality to today's universe and also efficaciously existing (Wang et al., 2003).

Financial inter mediation, consultancy, agency services and more other financial problems are solved by banks from past time. Four differences are shown between services and goods, those are as follows, 1. Intangibility, 2. Perishability, 3. Inseparability and 4. Heterogeneity (offman and Bateson, 2002). Quality brings customer acquisition and retaining power (Galloway and Ho, 1996). Evaluating service quality is more difficult than substantial goods. Customers feel comfortable buying goods having physical existence. Service quality ensures the competitive position of the organization for long term benefits and leads to differentiation for leading any industry and ensuring competitive position of the organization for long term benefits service quality is essential (Morre, 1987).

Service quality is very important indicator towards customer satisfaction at any time Customer satisfaction is a major fact for any business and service quality plays a significant role for customer satisfaction. Customer satisfaction is a major issue for any business where service quality plays a significant role to satisfy customer (Spreng and Machoy, 1996). Service quality is a bunch of the answers to some queries like; what is customers real needs? What type of service is being provided? Finally, Is there any kind of deficiency? (Woodside et al., 1989) Hanson (2000) revealed that organizations should improve the quality of their services to fulfil the customers' wants and requirements. Modern technology and machines as well as automated banking system have improved the speed of processing information and transaction to satisfy customers saving their valuable time (Johnston, 1997). In competitive market the professionals are getting more popular for their quality services. Their professionalism favours to have a good relationship with customers (Zeithmal et al., 2000). Zeeds (1992) showed that bank personnel are the main element of service quality.

However, the banking industry has combined service quality and customer satisfaction (Avkiran, 1994). In Greek banking industry private banks are more popular than public banks to the customers only because of service quality (Kangis and Voukeates, 1997). Global and integrated banks are facing many problems as legislation, technological and structural changes (Angur et al., 1999). An aware manager improves quality to gain a competitive position in the market to get customer attention and satisfaction. This effort is a slower but little bit effective process also (Longo, 2000). Banking and financial services are the integrated part of services industry; its contribution is increasing day by day (Mishkin, 2001). Now-a-days, service quality has been attracted for researching (Fist et al., 1993) cited in Thakur, (2011). Service providers have to have knowledge about how customers are estimating the quality of service values, choosing banks and finding long term protection. Customers always think about their demanded product while buying and compare by experience. (Swan and Comb, 1976 cited in Thakur, 2011), will the product be satisfactory or not. Therefore services marketing researchers based their work on developing a service quality concept focused on consumer behaviour instead of using manufacturing quality concepts. After that, service providers follow and develop service quality concept according to consumer behaviour researched by service marketing researchers (Brown et al., 1992 cited in Dhandabani, 2010). Thus customer compares the service quality with his/her expectation for judgement (Thakur, 2011). Levesque and McDougall (1996) investigated customer is satisfied with the service quality of financial organizations. They found a core impact of service problems on customer satisfaction and their thinking was to switch. Service quality is an essential definitive of customer satisfaction (Yavasetal., 1997).

Mishkin (2001) reported that banking and financial services are undisputed part of service industry and being popular day by day. However, Global and integrated banks are facing many challenges as legislation, technological and structural changes (Angure et al. 1999). There is a relationship between service quality and customer satisfaction is investigated by a number of researchers across the world. There is strong combination between dimensions of service quality and customer satisfaction (Anderson and Sullivan, 1993). It is found that the banking industry has a connection between service quality and customer satisfaction (Avkiran, 1994). Islamic banking plays a role for increasing supply of loan. It is found that funds and other economic factors in the economy are managed by government interference (Makiyan, 2003).

Oppewal and Vriens (2000) empirically investigated the relationship between service quality and customer satisfaction by using original SERVQUAL instrument with 10 dimensions as devised by Parasuraman et al. (1985). This study gave a direction to describe service quality and customer satisfaction. Due

---

## 4 Research Objective

The principal objective of this research is to have an overall idea about the perception Consumers' and the Services Quality of Shahjalal Islami Bank Limited.

To support this objective, the study has focused on some secondary objectives like:

? To analyze the customers' perception of Shahjalal Islami Bank ? To have an idea about the overall service of Shahjalal Islami Bank Ltd ? To explore the condition of service quality in Shahjalal Islami Bank.

IV.

Research Design (Methodology) The study type is expository. Primary and secondary sources are used for data collecting. SERVQUAL Scale for measuring customers' perception format is used for preparing questionnaire for the study. These five measures were Reliability, Tangibility, Responsiveness, Assurance and Empathy. Population for research was 500 people and all of them were Bangladeshi but 50 peoples who have bank accounts in different private banks in Dhaka are been selected for sample. The respondents include-students, employees and business personnel. The average age of the respondents was 15-60 years. 48% of respondents were male and 52% were female.

A structured closed-ended questionnaire with 21 questions fewer than 5 variables have been developed based on SERVQUAL model. Answers of the questions have been examined by collecting data through face to face interviews of a different population on five point Likert scale. Targeted respondents come from the general open public (from different genders, races, age groups, marital status, education backgrounds, designations and professionalisms) and then the data have been measured by fitted statistical tools. A sample of the questionnaire has been given in Appendix.

V.

## 5 Analysis and Interpretation

A descriptive analysis and frequency distribution technique is used to analyse the respondents' answer for the study purpose. Descriptive Analysis: It refers the transformation of raw data written into a form that will make them easy to understand and interpret; rearranging, ordering, manipulating data to provide descriptive information. Total sample size was 50. Among them the study found that there is 12 Service holder and 18 Business persons & 20 others occupation holder. We can also see that 24% Service holder and 36% Business persons & 40% others occupation holder includes Student, Housewife, Retried person etc. Assumption: We can assume that business persons are many in number as consumer.

According to the study purpose we selected five popular schemes in the general banking of Shahjalal Islami Bank. Among them Mudaraba Term Deposit (MTD) & Mudaraba Lakhopoti Deposit are more popular. The ratio of different schemes is given bellow in the chart.

There are some effective questions under the dimensions of Assurance, responsiveness, reliability, empathy & tangibility. Under the dimension there are some questions. The analysis of those questions are described the next part of the study. Depending on the customer's participation on the question on the first chart most of the respondent was agree with this comment. 25 respondents were agreed with this statement. Here strongly agree was 13 and disagree was 2 & strongly disagree was 10. In the next pie chart we can see about half of the total respondent were agreed an 26% were strongly agreed where 20% strongly disagreed and 4% disagreed. Assumption: So the statistics show that majority are supporting that the Shahjalal Islami bank have appointed qualified employees to answer any question to earn maximum customer satisfaction.

## 6 Statement 2 : Feel safe in transaction with Shahjalal Islami Bank

In the 1st bar chart we find out 21 respondents were agreed with the comment and 13 were strongly agreed. 4 respondents were uncertain and 12 respondents were disagreed. But there were no strongly disagreed respondents. In the next pie chart we can see 42% of the respondents were agreed and 26% were strongly agreed where 24% strongly disagreed and 8% were in uncertainty. Assumption: In this case most of the customer feels safe to transact with the bank which means the bank has reliability. Employees in Shahjalal bank are consistently courteous with their customers. 16 respondents were agreed with the comment and 12 respondents were disagreed with the comment. 8 respondents were uncertain and 6 respondents were strongly agreed. In the next pie chart we can see 32% respondents were agreed and 12% were strongly agreed where 16% strongly disagreed and 24% disagreed and 16% were in uncertainty. Assumption: From the analysis we can easily find out that the employees of the bank are not too much friendly to achieve the customer satisfaction as a result the bank must suffer in future due to employee behavior.

## 7 Assumption:

The majority shows green signal on account of helpful behavior of employees. That means the bank has the employees for solving any problem. . In the next pie chart we can see 46% respondents were agreed and 26% were strongly agreed where 12% strongly disagreed and 12% disagreed and 4% were in uncertainty.

In the next pie chart we can see 42% respondents were agreed and 26% were strongly agreed where 24% strongly disagreed and 4% disagreed and 4% were in uncertainty. Statement 2 : Employees in Shahjalal Islami Bank give prompt service Employees in Shahjalal Islami Bank give prompt services. Disagreed respondents were 20 and agreed respondents were 14. 7 respondents were strongly agreed and 4 were strongly disagreed and 5 respondents were uncertain with this comment. In the next pie chart we can see 28% respondents were agreed and 14% were strongly agreed where 8% strongly disagreed and 40% disagreed and 10% were in uncertainty. Assumption: Employees are slow in service which can earn infamy for the bank. Depending on the customers' participation on the question agreed respondents were 22 and uncertain respondents were 10. 8 respondents were strongly agreed and 4 were strongly disagreed.

In the next pie chart we can see 44% respondents were agreed and 16% were strongly agreed where 8% strongly disagreed and 12% disagreed and 20% were in uncertainty. Assumption: the analysis says some employees are humble at the same time some are not which is not acceptable for earning customer value for the bank. Shahjalal Islami Bank keeps customers informed, when services will be performed. Among all respondents 24 were strongly agreed and 13 respondents were agreed. 6 respondents were

## 8 Global Journal of Management and Business Research

Volume XV Issue XII Version I Year 2015 ( ) A disagreed and 4 were strongly disagreed. In the next pie chart we can see 26% respondents were agreed and 48% were strongly agreed where 8% strongly disagreed and 12% disagreed.

Assumption: The bank has a very good relationship with customers. It also share much information with the customers.

## 9 e) Reliability Dimensions

Statement 1 : Shahjalal Islami Bank promises to do something by a certain time When Shahjalal Islami Bank promises to do something by a certain time, it does so. Agreed respondents were 25 and strongly agreed respondents were 16. 8 respondents were strongly disagreed. The number of uncertain respondent were 1. In the next pie chart we can see 50% respondents were agreed and 32% were strongly agreed where 16% strongly disagreed and 2% were in uncertainty. Assumption: The statistics indicates that the bank keeps promises at its best level as most of the respondent answered positive. Statement 3 : Shahjalal Islami Bank insists on error free records Shahjalal Islami Bank insists on error free records. 18 respondents were strongly agreed & 15 were agreed. 10 respondents were strongly disagreed & 4 were disagreed. The number of uncertain respondents were 3. In the next pie chart we can see 30% respondents were agreed and 36% were strongly agreed where 20% strongly disagreed and 8% disagreed and 6% were in uncertainty. Assumption: In this experiment we found that the bank works firmly and also does some mistakes. Assumption: The employees are cordial according to 58% of respondents where 42% says they are not. In this case we can assume that the bank is neutral to give personal attention to the customer. In the next pie chart we can see 38% respondents were agreed and 20% were strongly agreed where 12% strongly disagreed and 20% disagreed and 10% were in uncertainty. Employees of Shahjalal Islami Bank have friendly manner to serve you. Agreed respondents were 25 and Disagreed respondents were 12. 9 were strongly agreed & 4 were strongly disagreed. There were no uncertain respondent with this comment.

In the next pie chart we can see 50% respondents were agreed and 18% were strongly agreed where 8% strongly disagreed and 24% disagreed. Employees of Shahjalal Islami Bank have operating hours that are convenient to all customers. Strongly agreed respondents were 26 and Disagreed respondents were 2.5 were strongly disagreed & agreed respondents were 14.

In the next pie chart we can see 28% respondents were agreed and 52% were strongly agreed where 10% strongly disagreed and 4% disagreed and 6% were in uncertainty. Assumption: That means the employees spend enough time with customer for providing service. By this manner they can earn the most customer satisfaction. In the next pie chart we can see 38% respondents were agreed and 38% were strongly agreed where 4% strongly disagreed and 12% disagreed and 8% were in uncertainty.

## 10 Assumption:

The experiment shows that customers are happy with the documents and information given by the bank which states the bank provide important information and documents toward the customers. Shahjalal Islami Bank use modern equipment. With this comment agreed respondents were 24 and strongly agreed respondents were 14. 6 were disagreed. The numbers of uncertain respondents were 2 with this comment.

In the next pie chart we can see 48% respondents were agreed and 28% were strongly agreed where 8% strongly disagreed and 12% disagreed and 4% were in uncertainty. Assumption: The statistics shows that the bank uses modern technology to avoid errors and mistakes. Final Assumption: The performance of the bank is good to gain customer satisfaction. We also find the customers are confused in some mutual related question VI.

## 11 Conclusion

Today the performance of a bank in competitive business is important. Just few years ago the number of banks was very few. So the competition was not as strong as today. Things have changed as many new banks have

entered into the market. Now the customers have option to take the one which is the best. So the current banking business scenario is highly competitive in financial service providers.

After doing this descriptive study we learnt many things about banking activities and its effects on client perception. From this research and analysis we got lot of results about the Customers' Perception of Service Quality of Shahjalal Islami Bank Limited. We identified that many of the respondents from my sample aware about the service quality of banking activities. But in case of client retaining it has no significant effect on clients. On the other hand, in some case it affects clients to choose different schemes of banking services.

## 12 Global Journal of Management and Business Research

Volume XV Issue XII Version I Year ( ) A

1 2 3 4



Figure 1: A

<sup>1</sup>© 2015 Global Journals Inc. (US) 1

<sup>2</sup>© 2015 Global Journals Inc. (US)

<sup>3</sup>Customers' Perception of Service Quality of Islamic Bank in Bangladesh: An Empirical Analysis of Shahjalal Islami Bank Limited

<sup>4</sup>Customers' Perception of Service Quality of Islamic Bank in Bangladesh: An Empirical Analysis of Shahjalal Islami Bank Limited © 2015 Global Journals Inc. (US)

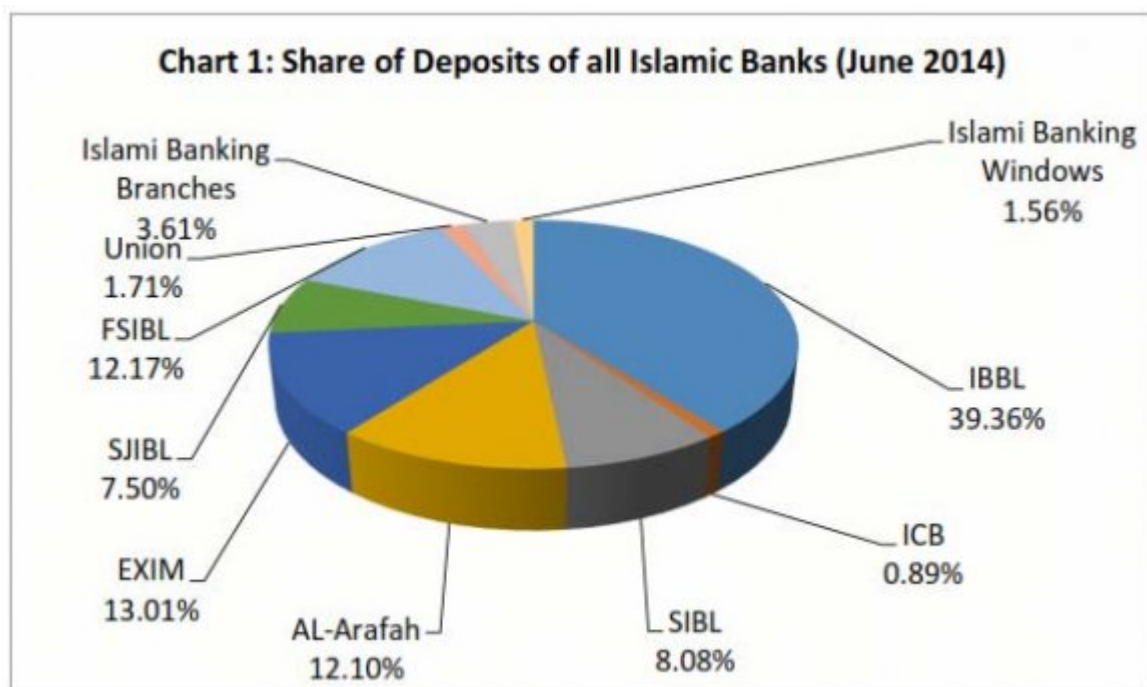


Figure 2:

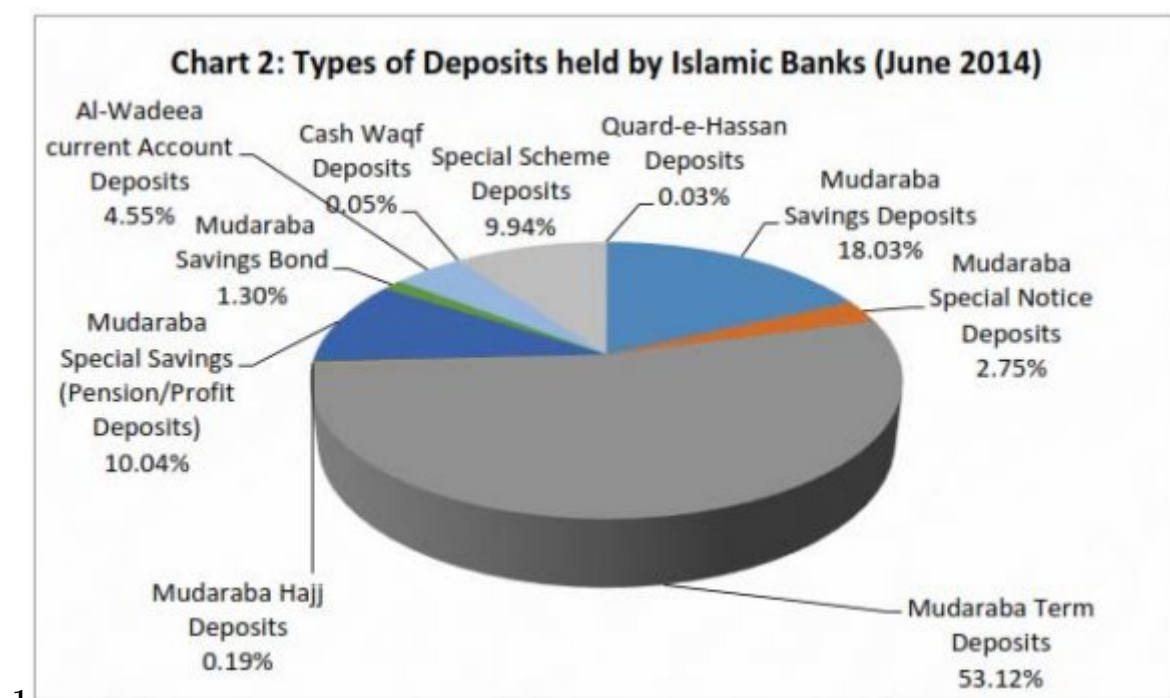


Figure 3: 1 :



Figure 4: Statement 3 :



Figure 5: Statement 4 :

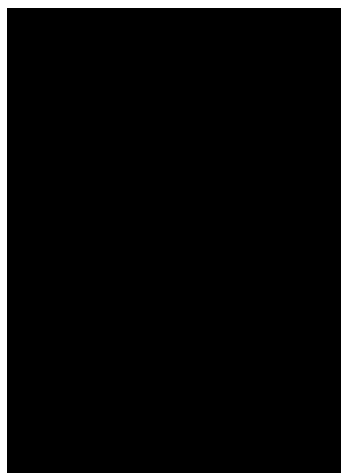


Figure 6:



Figure 7: Statement 3 :



Figure 8: Statement 4 :



Figure 9:



---

1

Figure 10: 1 :

3

Figure 11: Statement 3 :

4

Figure 12: Statement 4 :

5

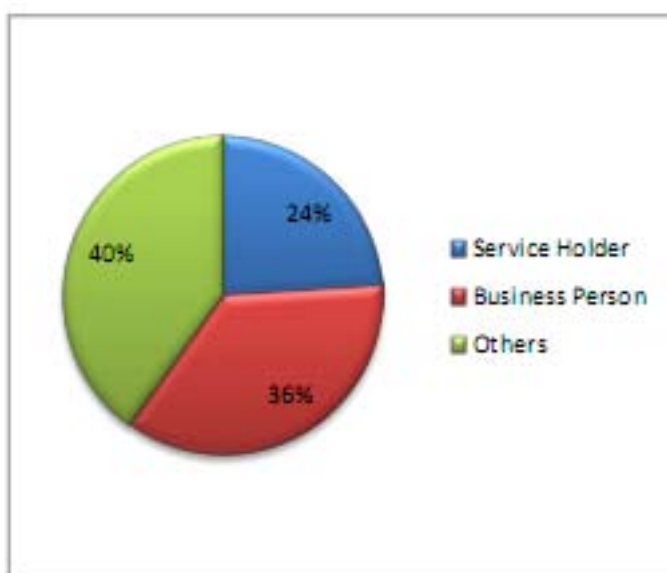


Figure 13: Statement 5 :

12

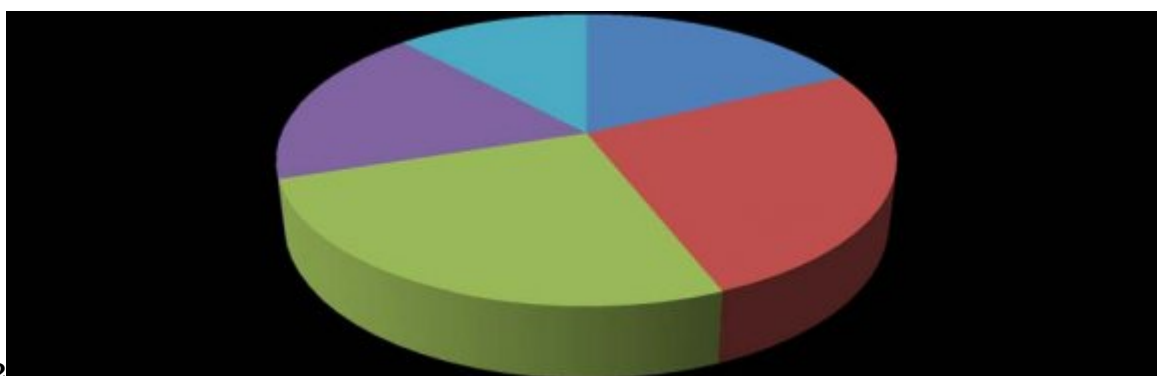


Figure 14: 1 :Statement 2 :

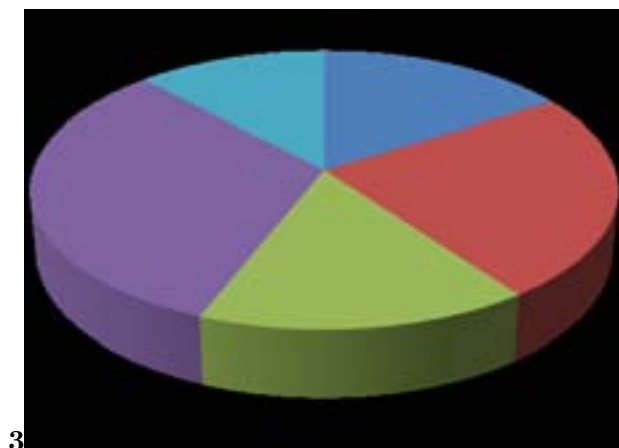


Figure 15: GlobalAStatement 3 :



Figure 16: Statement 4 :



Figure 17:



Figure 18:

01

Factors

[Note: Source: Developments of Islamic Banking in Bangladesh, April-June, 2014, Bangladesh Bank \*TK = Taka, In Crore Taka \*\* 1 Crore= 10 Million Below charts are brief reports of deposit of Islamic banks that are operating in Bangladesh as on June 2014.A]

Figure 19: Table 01 :

02

Trust Bank Limited	5	0	5
Standard Bank Limited	2	0	2
Bank Asia Limited	4	1	5
Standard Chartered Bank	1	0	1

[Note: Source: Developments of Islamic Banking in Bangladesh, April-June, 2014, Bangladesh Bank]

Figure 20: Table 02 :

- [Cambridge and Ma] , Cambridge , Ma .
- [Parasuraman et al. ()] ‘A conceptual model of service quality and its implications for future research’. A Parasuraman , V Zeithaml , L Berry . *J. Market* 1985. 49 p. .
- [Parasuraman et al. ()] ‘A conceptual model of SQ and its implications for future research’. A Parasuraman , V A Zeithaml , L L Berry . *Journal of Marketing* 1985. 49 p. .
- [Gronroos et al. ()] ‘A service quality model and its marketing implications’. C Gronroos , A Parasuraman , V Zeithaml , L Berry . *Eur. J. Market* 1984. 1991. 18 p. .
- [Shafie et al. ()] ‘Adopting and Measuring Customer Service in Islamic Bank: A Case Study of Bank Islam Malaysia Berhad’. S Shafie , W Nursofiza , A Haron . *Journal of Muamalat and Islamic Finance Research* 2004. 1 (1) p. .
- [Abdulqawi and Lynn ()] ‘Adopting and measuring customer Service Quality (SQ) in Islamic Banks: A case study in Kuwait Finance House’. O Abdulqawi , O Lynn . *Int. J. Islamic Financ. Servic* 2001. 3 p. .
- [Othman and Owen ()] ‘Adopting and Measuring Customer Service Quality (SQ) in Islamic Banks: A Case Study in Kuwait Finance House’. A Othman , L Owen . *International Journal of Islamic Financial Services* 2001. 3 (1) p. .
- [Gounaris et al. ()] ‘Antecedents to perceived service quality: an exploratory study in the banking industry’. S P Gounaris , V Stathakopoulos , A D Athanassopoulos . *Inter. J. Bank Mark* 2003. 21 (4) p. .
- [Zeithmal ()] *Defining and retailing price, perceived quality and perceived value*, V Zeithmal . 87-101. 1987. Marketing Science Institute. (Report)
- [Levesque and Mcdougall ()] ‘Determinants of customer satisfaction in retail banking’. T Levesque , G H G Mcdougall . *Int. J. Bank Market* 1996. 14 p. .
- [Akroush ()] ‘Exploring the mediating effect of service quality implementation on the relationship between service quality and performance in the banking industry in Jordan’. M N Akroush . *Global Bus. Econo Rev* 2008. 10 (1) p. .
- [Ahmad and Ahmad (2008)] *Islamic Banking: A Case Analysis from Bangladesh”, paper presented at Islamic Finance Symposium -Islamic Banking andFinance: Ethics and Financial Practice in Global Perspective*, A U F Ahmad , A B R Ahmad . 2008. November 20. Melbourne, Australia.
- [Kamal et al. ()] ‘Islamic Banking: A study of customer satisfaction and preferences in Jordan’. N Kamal , J Ahmad , A K Khalid . *Int. J. Bank Market* 1999. 17 p. .
- [Sas ()] *Islamic Finance: Partnership Financing*, Al-Harran Sas . 1993. Selangor Darul Ehsan, Malaysia: Pelanduk Publications.
- [Akhtar ()] *Pakistan-Banking sector reforms: performance and challenges, Lecture by Governor of the SBP Pakistan at theGraduate Institute of International Studies*, S Akhtar . 2007. Geneva. p. 1.
- [Ahmad and Haron ()] ‘Perceptions of Malaysian Corporate Customers towards Islamic Banking Products & Services’. N Ahmad , S Haron . *International Journal Of Islamic Financial Services* 2002. 3 (4) .
- [Schneider et al. ()] ‘Service Quality in the Banking Sector in an Emerging Economy: A Consumer Survey’. B Schneider , S White , U Yavas , Z Bilgin , D J Shemwell . *International Journal of Bank Marketing* 2004. 1997. 15 (6) p. . (Service Quality Research Perspectives)
- [Parasuraman et al. ()] ‘SERVQUAL: A multiitem scale for measuring consumer perceptions of service quality’. A Parasuraman , V Zeithaml , L Berry . *Sloan Manage. Rev* 1988. 39 p. . (J. Retail.)
- [Parasuraman et al. ()] ‘SERVQUAL: A multiple-item scale for measuring consumer perceptions of service quality’. A Parasuraman , V A Zeithaml , L L Berry . *Journal of Retailing* 1988. 64 (1) p. .
- [Pallant ()] *SPSS survival manual*, J Pallant . 2001. Philadelphia: Open University Press.
- [Gronroos ()] ‘Strategic Management and Marketing in the Service Sector’. C Gronroos . *Swedish School of Economics and Business Administration* 1982. (Helsing fors)
- [Gronroos ()] ‘Strategic Management and Marketing in the Service Sector’. C Gronroos . *Swedish School of Economics and Business Administration* 1982.