

# Service Quality on Customers' Satisfaction towards Customers' Loyalty in Malaysian Islamic Banking: Structural Equation Modeling Approach

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## ABSTRACT

The purpose of this study is to investigate the relationship between customer satisfaction and six dimensions of service quality (CARTER model) in Islamic banks of Malaysia. This study uses 772 samples of Islamic banks customers. Structured questionnaire technique has been used to collect data. Findings of the study revealed that Malaysian Islamic banking customers consider responsiveness, reliability and empathy as significant factors for customer satisfaction, on the other hand, the factors of the service quality as the tangible is not positively significance as a dimension of satisfaction. The drawback of this study is to generalise of the sample size of the respondents. For the academic point of view, there is a great significance as well as practitioners, managers and policymakers can find out the patterns of customer satisfaction regarding service quality for Islamic banks in Malaysia. The value of the current study is particular because it is a measuring study of customer satisfaction and service quality dimensions (CARTER model) of Islamic banks in Malaysia.

## Keywords

Assurance, Reliability, Tangibility, Responsiveness, Empathy, Customer satisfaction, Customer loyalty, the Islamic bank, Malaysia

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## Introduction

Islamic banking has become one of the fastest growing sectors in different regions across the globe (Amirzadeh and Shoorvarzy, 2013). Despite being a relatively new occurrence compared to conventional banking, Islamic banking has been widely accepted by Muslim alongside non-Muslim consumers at large (Amat Taap et al., 2011). Thus, Islamic banking has experienced expansion not only in the Muslim countries but many Western countries as well (Abdul Rehman, 2012). The pace at which Islamic banks are growing globally has caught the eyes of the conventional banks and stimulated them to develop subsidiaries to satisfy the demands of Islamic banking products and services. Therefore, the number of Islamic banks in non-Muslim countries has also expanded as statistics have shown that, approximately 25 percent of Islamic banks are operating in countries that are not dominated by Muslim population and at the same time, a vast number of conventional banks have also created Islamic windows in order to serve the needs of the Muslim customers who are residing in the Europe and America (Pollard and Samers, 2007).

As the Islamic banking sector is expanding it is also facing more competition with the conventional banks. In the new intensely competitive banking environment, Islamic banks situated in different regions of the world, are taking much initiative to retain loyal customers and at the same time gain new customers (Harris and Goode, 2004). Henceforth, customer satisfaction has emerged as an essential factor in the area of Islamic banking and finance (Holliday, 1996). It has become utmost important for the Islamic banking sector to acquire new customers while meeting the needs of the current ones (Wajdi Dusuki and Irwani Abdullah, 2007). For this reason, the growth of the Islamic banking sector in today's emerging and challenging environment is, to a large extent, based on their ability to strategically position

themselves in the market by providing products as well as services that meet the needs of their respective customers. Islamic banks are taking much initiative for offering a wide range of superior quality products as well as services compared to the conventional banks (Wang et al., 2003; Abdul Rehman, 2012). Malaysia is known as the third largest Muslim populated country after Indonesia and Pakistan (Mahmood and Mohammad Wasiu Osman, 2015). As the overall banking industry of Malaysia is going through an upward trend so are the Islamic banking activities. Islamic banking was first introduced in Malaysia in the year 1982 with the initiative of the government to establish the Islamic Bank Malaysia Limited (IBBL) to encourage the practice of Islamic banking activities that are parallel to the teachings of Islam and Shariah (Miah and Sharmeen, 2015). Henceforth, the current study attempts to conduct an empirical investigation of Muslim populated nations, Malaysia, to gain a clearer understanding regarding the effects of service quality on Muslim customers' satisfaction and loyalty toward Islamic banking.

## Literature Review

### Islamic Banking

The primary factor that drives Islamic banking practices is the protection of interest as well as benefits of the different groups of individuals who are associated to a particular transaction (Dusuki, 2008; Kamarulzaman, 2013). The principal operations of the banking and financial sectors of the Muslim countries are developed based on Islamic law (Abdullah Saif Al Nasser and Muhammed, 2013). Even though the conventional and Islamic banking systems, more or less, execute functions that are similar, however, they undertake different approaches (Akhtar and Zaheer, 2014). The objectives and operations of Islamic banks are

developed by complying with the laws of the Shariah (Ismail et al., 2013); straying away from the elements that are prohibited in the teachings of Islam (Mohsin Butt and Aftab, 2013). The significant aspect that differentiates Islamic banking from the conventional approach to banking is based on the fact that Islamic banking is against the practice of interest and anything that causes harm to the society at large such as, the activities which carry interest, gambling and speculative trading (Ismail et al., 2013). Thus, the concept of Islamic banking is based on Shariah commitments as it follows a framework that has been developed taking into consideration the halal and haram (Azhar Rosly and Afandi Abu Bakar, 2003).

Additionally, Islamic banking has been created on the underlying concept of brotherhood, striving to create an environment that fosters cooperation and sharing which can be related to the banking practices of equity and risk sharing (Ismail et al., 2013; Abdul Majid et al., 2010). Through such activities Islamic banking ensures that justice and fairness in all the transactions and business operations are maintained (Ismail et al., 2013) which is related to the objectives of Maqasid al-Shariah. The primary purpose of Maqasid al-Shariah is to bring peace in the society by securing and maintaining welfare, public interest (Maslahah) as well as justice (Hurayra, 2015). The laws of Maqasid al-Shariah protect these aspects by fulfilling the needs of the Muslims in three respective categories namely daruriyyat (essentials), hajjiyyat (mutual benefits), and tahsiniyyat (embellishment) (Jazil, 2013). The operations of Islamic Banking have been developed in a way that integrates the aspects of equality, justice, morality, brotherhood, trust and honesty to bring about the essence of harmony in the society at large (Hisham Yahya et al., 2012; Mohsin Butt and Aftab, 2013). Therefore, the ultimate goal of the products and services that are offered by Islamic banks is to serve the society through following the principles of Maqasid al-Shariah (Hurayra, 2015).

### Service Quality Models in the Banking Sector

Over the past years, studies have been undertaken to measure service quality in the setting of various cultures as well as different types of banking institutions (Mahmoud Al-jazzazi and Sultan, 2014). These several studies have been conducted from the SERVQUAL model as well as the SERVPERF model (Mahmoud Al-Jazzazi and Sultan, 2014). The SERVQUAL model developed by Parasuman (1985) is universally recognised as the most extensively employed model in terms of assessing service quality (Chaker and Jabnoun, 2010) in the different sectors of the service industry (Amin and Issa, 2008) also in terms of banking institutions (Zhou, 2004; Karatepe et al., 2005; Tsoukatos and Mastrojianni, 2010; Amat Taap et al., 2011; Amirzadeh and Shoorvarzy, 2013; Mahmood and Mohammad Wasiu Osman, 2015). The SERVQUAL model comprises of a total of five respective dimensions explained by Chaker and Jabnoun (2010) and Amin and Issa (2008).

**Reliability** symbolises that a service will be delivered as expected by the customers without any disruptions. It reveals how well the service lives up to the promises that were made by the service producer.

**Responsiveness** indicates how willing employees are to help their customers and how quickly they provide the services to them. It centres on how promptly customers' queries, requests as well as complaints are taken into consideration and answered.

**Tangibles** refer to the overall look and appearance of certain aspects such as the physical facilities that are provided, the equipment that is used, appearance of the employees as well as the overall environment.

**Assurance** reflects the expertise, skills and courtesy of the employees and their capability of gaining customers' trust and confidence.

**Empathy** is taken into account by providing caring as well as personalised attention to the customers. Through friendly and polite behaviour the staffs should try to empathise and create a bond with their customers. Figure 1, illustrates the SERVQUAL model.

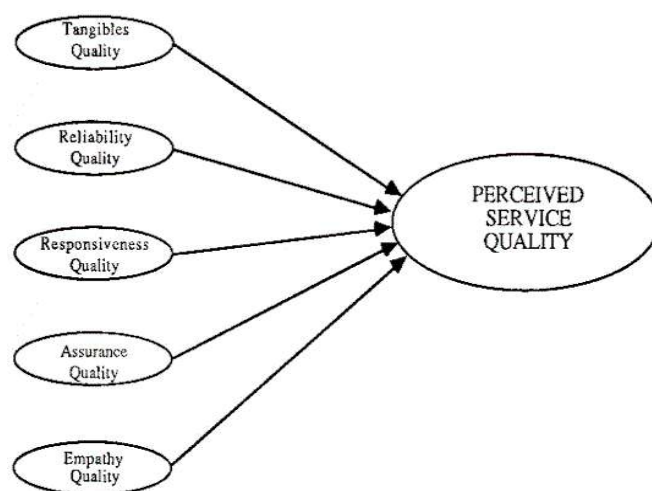


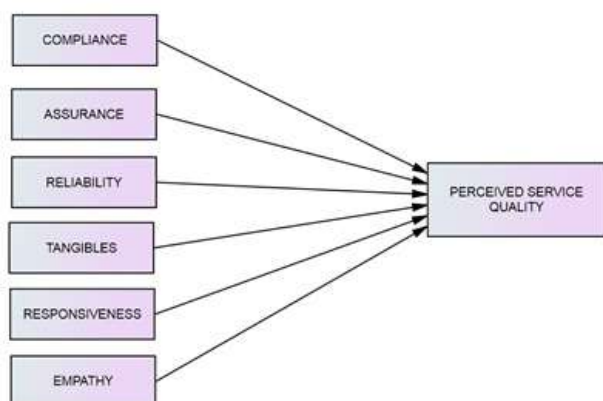
Figure 1: SERVQUAL Model

### Service Quality Models in Islamic Banking Sector

The application of SERVQUAL is at an initial stage in the Islamic banking sector (Amirzadeh and Shoorvarzy, 2013). Some researchers have taken an interest in understanding the concept of service quality regarding Islamic banking. The five respective dimensions of SERVQUAL was employed by Al-Tamimi and Al-Amiri (2003 from Amin and Issa 2008) for measuring the service quality provided by two of the most renowned Islamic banks in the Middle East, which are Abu Dhabi Islamic Bank, and Dubai Islamic Bank respectively. The findings of their study have disclosed that the aspect of reliability was the most crucial in the context of these two banks. However, it is also important to note that Islamic banking practices are guided by the principles, values as well as priorities of the Shariah (Mahmoud Al-Jazzazi and Sultan, 2014). Therefore, in the event of measuring service quality in Islamic banks, it is of utmost importance to formulate measures that are specifically developed as well as unique to the Islamic approach to banking (Hossain and Leo, 2009). The service quality model for Islamic banking has been extended through the creation of the CARTER Model by adding the dimension of compliance (Othman and Owen, 2001).

The CARTER model was developed taking into account several dimensions that are unique to Islamic banking

approach (Othman and Owen, 2001). It includes a total of 34 items that fall under six different dimensions. This model has been created by the five dimensions of SERVQUAL and the addition of a new dimension which is termed as “compliance with Shariah”. The first dimension is compliance, which refers to the observance as well as adherence to the requirements that have been prescribed by the Shariah law. The second dimension is based on assurance. It reflects how trustworthy the employees are both in their service as well as nature of communication. Next is reliability, and it indicates the capability of the bank when it comes to delivering the customers with superior performance by following the imposed standards. Furthermore, the model includes the aspect of tangibility which resembles the physical aspects as well as facilities regarding the equipment that is used, the overall appearance of the staffs and lastly, the materials that are used for communicating with the customers. Finally, empathy and responsiveness make up the last two dimensions whereby, empathy focuses on paying personalised attention to each, and every customer and responsiveness is perceived through measuring how willing the staffs are in responding to the requests and inquiries that are made by the customers (Othman and Owen, 2001). The CARTER model is depicted in the figure below (Figure 2).



**Figure 2:** CARTER Model

Othman and Owen (2001) conducted a study to investigate service quality in Islamic banks based on the dimensions of CARTER. The findings of their study demonstrated that in the context of the customers of Islamic banks, the dimension of compliance is highly taken into account since a majority of the respondents agreed that it is of utmost importance for Islamic banks to execute their activities by observing the Islamic principles and law.

### Service Quality and Islamic Banking in Malaysia

Islamic banking and finance have emerged as one of the most impactful aspects that contribute to the economic development of Malaysia (Shohrwardhy et al., 2016). Several researchers took the initiative of studying issues pertaining to service quality of Islamic banks in Malaysia (Mahmood and Mohammad Wasium Osman, 2015; Shohrwardhy et al., 2016; Shampa and Hasan, 2015; Rashid et al., 2009; Khan et al., 2008; Rezwan et al., 2015). A study was undertaken by Mahmood and

Mohammad Wasium Osman (2015) to understand customers' perception toward Islamic banks in Malaysia. The results of the study indicated that Malaysian consumers at large have a higher preference toward Islamic banks in comparison to conventional banks. At the same time, they also require superior customer value as well as satisfaction. The findings of the study have revealed that besides better service quality there is also a high demand for how responsive the banks are to the customers' needs regarding providing prompt service. Consumers' perceptions toward service quality provided by the Islamic banks in Malaysia were also investigated based on the CARTER model (Shohrwardhy et al., 2016). The study was made up of a sample size of 396 participants who are using the services of the Islamic banks of the country. The findings of the study demonstrated that the different dimensions namely compliance to Islamic Shariah, assurance, reliability, tangibility, empathy and responsiveness is highly significant regarding Malaysian customers whereby, assurance was proved to be the most significant followed by the other dimensions.

The objective of the study by Shampa and Hasan (2015) was to analyse customers' perception of service quality of Islamic banks located in the capital city of Kuala Lumpur. The study was based on the SERVQUAL model with a sample size of 150 respondents. The outcomes of the analysis demonstrated that the various dimensions that fall under service quality are directly correlated to the online banking services provided by the Islamic banks. Based on the findings the author has ranked the different dimensions following their importance among the customers. The dimension of tangibility is the most important dimension, followed by responsiveness, assurance, empathy, reliability and lastly online service. Besides religious beliefs, other factors such as convenience concerning financial transactions, consistency with the service provided with uniformity as well as the cost and benefit implications are important aspects that impact Malaysian customers' intention toward choosing an Islamic bank (Rashid et al., 2009).

### Service Quality and Customer Satisfaction

It has been explained by Oliver (1980) that customer satisfaction is the result of fully meeting the customers' expectations concerning products as well as services. Customers are considered to be satisfied when the performance of the service matches or exceeds the expectations they had regarding the services and vice versa (Amin and Issa, 2008). A review of past literature unveiled that the various dimensions of SERVQUAL are explanatory variables when it comes to predicting how satisfied customers are with the services that are provided by a particular service provider (Arasly et al., 2005). Othman and Owen (2001) have also confirmed the existence of a strong association between the different dimensions of SERVQUAL and customer satisfaction. From a similar point of view, the outcomes of many past research endeavours have disclosed that the aspect of service quality is a meaningful predictor of customer satisfaction (Cronin and Taylor, 1994; Anderson and Sullivan, 1993).

Based on the findings of a research conducted in the context of Malaysia, it was noted by Jamal and Naser (2002) that the core along with the relational dimensions of service quality

is significant factors that give rise of customer satisfaction. Moreover, outcomes of the study carried out by Amin and Isa (2008) further confirmed that all the five distinct dimensions of service quality starting from tangibility to reliability and responsiveness followed by assurance and empathy along with the dimension of compliance with Shariah are significantly related to the construct of service quality in the context of Islamic banking. Additionally, it was also evidenced by the findings of their study that service quality shares a definite link with customer satisfaction which indicated that the superior the service quality the more satisfied the customers are. Henceforth, considering the findings of the previous studies, the following hypotheses are established:

**Hypothesis 1 (H1):** Compliance with Shariah has a significant positive effect on satisfaction in customer loyalty toward Islamic banking.

**Hypothesis 2 (H2):** Assurance has a significant positive effect on satisfaction in customer loyalty toward Islamic banking.

**Hypothesis 3 (H3):** Reliability has a significant positive effect on satisfaction in customer loyalty toward Islamic banking.

**Hypothesis 4 (H4):** Tangibility has a significant positive effect on satisfaction in customer loyalty toward Islamic banking.

**Hypothesis 5 (H5):** Empathy has a significant positive effect on satisfaction in customer loyalty toward Islamic banking.

**Hypothesis 6 (H6):** Responsiveness has a significant positive effect on satisfaction in customer loyalty toward Islamic banking.

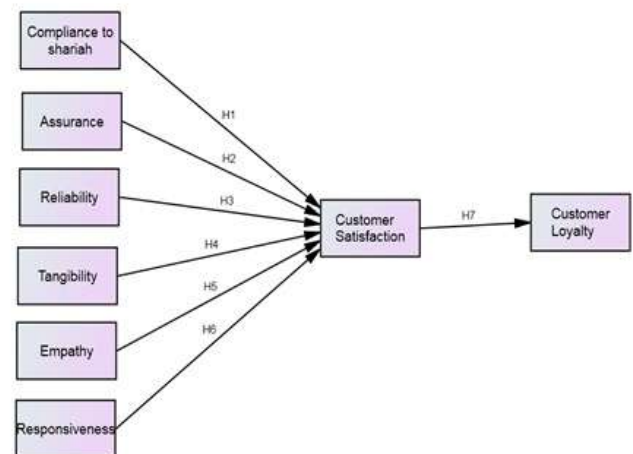
### Customer Satisfaction and Loyalty

Customer satisfaction is one of the critical antecedents of customer loyalty with a particular service provider which in turn is widely associated to customers' favourable attitudinal as well as a behavioural response toward the toward the marketing practices undertaken in the service context (Amin et al., 2013). Loyalty has been considered to be an attitude and also a specific behaviour (Baumann et al., 2011). The aspect of behavioural loyalty is of much importance as it reflects customers repurchase behaviour of products as well as services (Amin et al., 2013).

When it comes to the banking sector, loyalty is perceived to be a function that leads to customers' satisfaction with the services provided by a bank (Ladhari et al., 2011). Under such circumstances, loyal customers are perceived to be assets for banks, as they do not only patronise to the banks, but at the same time, they also spread positive information regarding the different services that are offered by the banks (Amin et al., 2013). Kashif et al., (2016) has asserted that the element of service quality is a tool that can be employed by banking institutions to retain their loyal customers. They have further explained that banks greatly benefit from loyal customers for the reason that when customers are loyal to a particular bank, they have a high tendency of spreading the favourable word of mouth regarding the bank, spending more as well as less willing to switch to other service providers. Customers are inclined to be loyal to a particular bank when they receive sincere advice from the staffs as

well as treated individually (Delgado-Ballester and Munuera-Aleman, 2001). The findings of the studies conducted by some researchers revealed that customer satisfaction shares a strong association with customer loyalty (Raajpoot, 2004; Saunders, 2008; Kashif et al., 2016). Based on the presence of a favourable association between the aspects of customer satisfaction and loyalty following past literature, the hypothesis below has been derived:

**Hypothesis 7 (H7):** Customer satisfaction has a significant positive effect on customer loyalty toward Islamic banking. Based on the above hypothetical relationships, a conceptual framework has been developed for the current study in accordance to the findings of prior literature as well as the six respective dimensions of service quality based on the models of (CARTER/Islamic SERVQUAL). The framework has been created with the primary objective of measuring Muslim customers' satisfaction and loyalty toward Islamic banking in Malaysia based on six independent variables which are namely Compliance to Shariah, assurance, reliability, tangibility, empathy, responsiveness, one mediating variable, customer satisfaction and one dependent variable that is customer loyalty toward Islamic banking. Figure 3 illustrates the conceptual framework that has been developed mainly for this study.



**Figure 3:** Conceptual Framework for the Study

### Methodology

The study at hand has been developed following a quantitative research method and tries to attain further understanding about Muslim customers' loyalty toward Islamic banks through customer satisfaction on the basis on the various dimensions of service quality in the context Malaysia. Therefore, the target population of this study is made up of the customers of the different Islamic banks situated in the respective country. Regarding Malaysia data were collected 772 customers of Islamic banks Kula Lumpur and Johor Baru in Malaysia. The main reason for choosing these two cities is the fact that they are the large cities consisting of a majority of the Islamic banks in the two divisional cities. Data were collected following a random sampling method for the reason that, this method enables researchers to collect data that gives an appropriate representation of the entire population (Hair et al., 2009). At the same time, it also provides a way for gathering data by

ensuring randomness as well as preventing researcher’s bias (Hair et al., 2009). Henceforth, the required primary data were collected by following a survey strategy through giving out self-administered questionnaires to a group of 1000 customers at various Islamic banks in the country Malaysia.

For the data collection purpose, a self-administered questionnaire was created. Respondents were asked to fill up questionnaires on a 5 point Likert scale ranging from 1 to 5 where the value 1 indicated strong disagreement with the statement, on the other hand, the value 5 represented a substantial agreement with the particular statement. The questionnaire included nine sections whereby, the first eight sections were dedicated to each of the variables, and the last section consisted of questions about the respondents' demographic characteristics. The questionnaire was developed by adapting items from previous studies, and they were modified to suit the study at hand. It was done to confirm the validity issues about convergent, construct as well as face validity (Zainudin, 2012).

After the primary data that are required for the study were gathered, they were analysed through two statistical tools namely, SPSS and AMOS. In the beginning, descriptive analysis was conducted which comprised of several statistical tests particularly percentage, frequency, mean and standard deviation. Afterwards, SPSS was also used by the researchers to run EFA. Finally, the conceptual model of the current study along with the hypotheses was verified through SEM.

### Result And Discussions

#### Exploratory factor analysis (EFA)

Hair et al. (2009) have mentioned that it is essential to conduct factor analysis, as it helps researchers in summarising the information gathered from a particular set of data. However, before proceeding with EFA, two tests, namely, Kaiser–Meyer–Olkin (KMO) and Bartlett’s Test of Sphericity, should be verified for checking the factorability of data (Pallant, 2007). Tabachnick, Fidell, and Osterlind (2001) have indicated that the value of the first test (KMO) ranges from 0 to 1, and for an appropriate analysis it is essential to have at least a value of 0.6, and for the latter (Bartlett's Test of Sphericity) it is essential to attain a significant p-value ( $p < .05$ ). After running both of these several tests through SPSS, it was observed that the results of both fell within the acceptable range, indicating that the researcher can run EFA. The outcomes of the tests are shown below in Table 2. From EFA, 39 items have been derived, and all the items are considered to be significant as they managed to load with a value higher than 0.50, and any loading above this value is considered to be practically significant by Hair et al. (2009). It shows that eight components account for approximately 21% of the variance and total variance accounted for approximately 72.824% percent which is highly adequate. A higher variance is explained when eight components are retained. Cronbach’s alpha has also been calculated for all the items of the four variables. It can be seen in Table 2, all items under each of the variables are reliable as they all have surpassed the

minimum value of .60 suggested by Hair, Black, Babin, and Anderson (2010).

**Table 1:** Kaiser-Meyer-Olkin (KMO) & Bartlett’s test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.769
Bartlett's Test of Sphericity	Approx. Chi-Square	5431.760
	Df	
	Sig.	.000

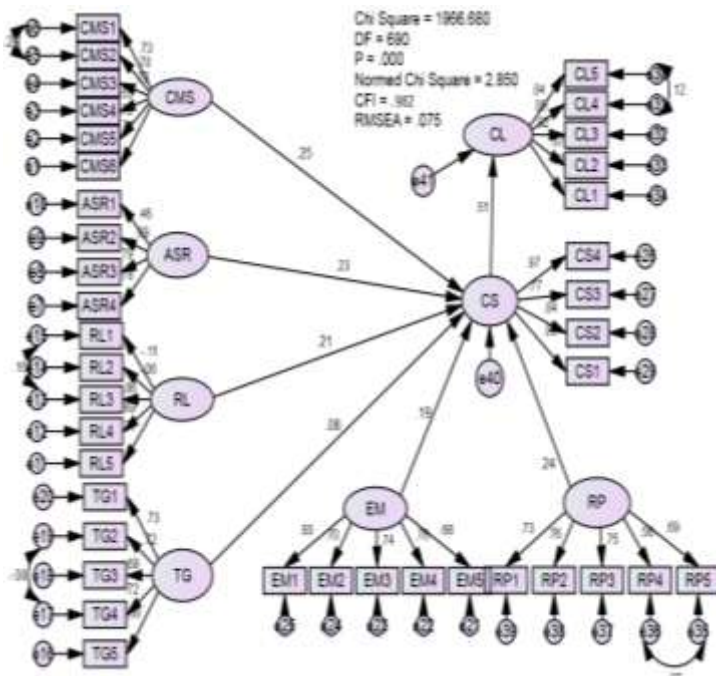
**Table 2:** Result of Exploratory Factor Analysis (EFA)

Item	(F1)	(F2)	(F3)	(F4)	(F5)	(F6)	(F7)	(F8)
Compliance with Shariah (CS)								
CS1	.769							
CS2	.751							
CS3	.781							
CS4	.698							
CS5	.655							
CS6	.648							
Assurance (AS)								
AS1		.751						
AS2		.695						
AS3		.751						
AS4		.566						
Reliability (RL)								
RL1			.721					
RL2			.633					
RL3			.658					
RL4			.784					
RL5			.756					
Tangibility (TG)								
TG1				.632				
TG2				.751				
TG3				.761				
TG4				.684				
TG5				.589				
Empathy (EM)								
EM1					.745			
EM2					.754			
EM3					.689			
EM4					.792			
EM5								
Responsiveness (RP)								
RP1						.751		
RP2						.652		
RP3						.698		
RP4						.589		
RP5						.795		
Customer Satisfaction (CS)								
CS1							.845	
CS2							.795	
CS3							.832	

CS4							.724
Customer loyalty (CL)							
CL1							.751
CL2							.712
CL3							.765
CL4							.821
CL5							.623

**Evaluation of the Structural Equation Model**

The result of the model revealed that the model is acceptable as it attained the required values for each of the indices as follows: root means square error approximation (RMSEA) = .075, comparative fit index (CFI) = .982, Normed  $\chi^2$  = 2.850 (See figure 4).



**Figure 4:** a Full-fledged model to measure customer satisfaction and loyalty of Islamic Banks

**Table 3:** Fitness Assessment of the Structural Model.

Name of category	Required value	Obtained Value	Comments
Absolute fit	RMSEA $\leq$ 0.08	0.075	The required value is attained
Incremental fit	CFI $\geq$ 0.90	0.982	The required value is attained
Parsimonious fit	$\chi^2/df \leq$ 3	2.850	The required value is attained

Source. Byrne (2010); Hair, Black, Babin, and Anderson (2010); Kline (2011); Zainudin (2012).

Note. RMSEA = root mean square error approximation; GFI = goodness-of-fit index; CFI = comparative fit index.

**Validity testing**

Besides the baseline model, the study needs to consider the overall measurement model to test the validity of the analysis. To confirm construct validity of the study, it requires assessing convergent, discriminant, and facing validity. Most of the factor loadings for each construct (more than .70), average variance extracted (AVE; more than .50), and construct reliability (more than .50) show the presence of convergent validity, while discriminant validity is confirmed with the positive difference between AVE and squared correlation (r<sup>2</sup>) of the constructs. Here, in all cases, AVE is bigger than squared multiple correlation values and gives the evidence of uniqueness for each construct. Besides, theoretical support of the literature proves the face validity of the constructs (table 4).

**Table 4:** Validity Testing

Construct	Cronbach's $\alpha$	CR	AVE
Compliance to Shariah	.837	5.997	0.478
Assurance	.779	4.345	0.445
Tangibility	.883	5.765	0.554
Empathy	.845	4.227	0.575
Responsiveness	.844	3.214	0.542
Customer Satisfaction	.887	4.215	0.813
Customer Loyalty	.819	5.124	0.741

**Table 5:** Result of hypothesis testing

Structural path		Estimate	SE	CR	P
Customer Satisfaction	Compliance to Shariah	.476	.073	6.520	***
Customer Satisfaction	Assurance	.218	.090	2.423	.016
Customer Satisfaction	Reliability	.296	.114	2.597	.002
Customer Satisfaction	Tangibility	.186	.065	2.862	.065
Customer Satisfaction	Empathy	.480	.115	4.174	***
Customer Satisfaction	Responsiveness	.316	.275	1.149	.004
Customer loyalty	Customer Satisfaction	.408	.298	1.369	.017

**Results of Hypothesis Testing**

The structural equation model was examined to test the relationship among the constructs. Figure 2.4 depicts the full model of the four paths hypothesised in the model; all the paths were significant at  $p < 0.05$  except the relationship tangibility of the service quality and the customer satisfaction. Service quality of Islamic banks system directly

affects customers' satisfaction as well as customer satisfaction has the direct impact on the customer loyalty. Therefore H1, H2, H3 is not rejected at 0.5 level of significance  $p > 0.000$ . On the other hand, H4 is not supported as the p-value is not significant. In additional, H5, H6 and H7 are respectively supported, that means empathy has a direct effect on customer satisfaction and also the responsiveness and has an impact on customer satisfaction. The study showed the customer satisfaction has a positive impact on the customer loyalty. Among all the significant variables, from the study, Malaysia Islamic banking service quality that is perceived by the customers the most important followed by compliance to the Shariah to compliance, reliability and responsiveness are very much essential and significance towards the customer satisfaction and customer loyalty. This research finding is quite similar to the study of findings of a research conducted in the context of Malaysia, and it was noted by Jamal and Naser (2002) that the core along with the relational dimensions of service quality is significant factors that give rise of customer satisfaction. Moreover, outcomes of the study carried out by Amin and Isa (2008) further confirmed that all the five distinct dimensions of service quality starting from tangibility to reliability and responsiveness followed by assurance and empathy along with the dimension of compliance with Shariah are significantly related to the construct of service quality in the context of Islamic banking.

### Conclusion And Managerial Implications

This study has identified the underlying factors that have an impact on service quality on Islamic banking in the perspective of Malaysia. As such, the role of the compliance to the Shariah, assurance, reliability, tangibility, responsiveness and empathy on customer satisfaction is the vital as the service quality of the banking sectors. In accordance to this study, the customer's perception of service quality of the Islamic banking in the field of Malaysia has a positive impact on the customer satisfaction, and customer satisfaction also has a positive impact to the customer loyalty. Hence, it is crucial to change the service as tangibility in accordance to the perceptions of customers concerning the customer satisfaction and customer loyalty. So, that the right service quality message is given to the target customer to get as a client's.

The existing service providers can also benefit from it by improving the service facilities that are already provided in creating an image as a customer satisfaction customer loyalty of the service sectors in the Islamic banks in Malaysia. Understanding why customers choose Islamic banks as a part of their banking helps in maintaining the transaction in the regular basis and using the factors that contributes to become satisfied customer as well as loyal the customers in the promotional campaigns and relating it to the customers that convince as a permanent customer would be more significant way to create a way among the clients.

Although this study contributes to the theoretical implications in understanding the relationship among service quality of Islamic banks, customer satisfaction and customer loyalty; it has several limitations that need to be addressed. The study only has information from the clients

who are using the services of two large cities like Kuala Lumpur and Johor Baru. Future researchers should consider this and survey both groups of customers to compare the similarities and differences from the conventional banks.

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