

# **Customer Satisfactions on Islamic Banking Services in Almadinah City, Saudi Arabia**

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## **ABSTRACT**

Providing quality services is a key element to compete in the banking industry. Islamic banks showed significant expansion in the past decades worldwide. In the current study, customer satisfaction towards services provided by Islamic banks in Almadinah city, Saudi Arabia was investigated. A total of 292 customers of full-fledged Islamic banks were recruited in the study. Customer satisfaction was measured using a self-administered questionnaire. The results showed acceptable levels of customer satisfaction toward Islamic banking services (85%). In addition, personnel, image, reliability, and compliance with Islamic law were the most important service dimensions that affect customer satisfaction. Finally, gender differences were noticed with respect to customer satisfaction with females seemed to be less satisfied than males. The present findings provide positive feedback to the Islamic banking sector in Almadinah city to improve customer satisfaction of their services.

*Keywords: Almadinah; Islamic banks; Services; Satisfaction; Saudi Arabia.*

## **1. INTRODUCTION**

In the recent years, the banking sector has implicated a wide range of services including online ones. As a response to such implications, customers are shifting from the traditional banking to modern banking systems [1]. To attract customers and to gain their satisfaction, banks strive to offer high quality and wide variety of services [2]. Customer satisfaction in service-based commerce, such as banking is among the top priorities because of its importance in business sustainability, development and competition capabilities. High quality banking services require trained and qualified personnel in a well-planned, systematic manner. Therefore, in the current competitive business environment and the race by banks to expand and increase the quality of services, measuring customer satisfaction provides positive feedback that will significantly improve bank's performance. This study aimed at understanding customer satisfaction towards services provided by Islamic banks in Almadinah, Saudi Arabia.

Banks that operate under Islamic law were established in the Kingdom of Saudi Arabia (KSA) in 1985 [3]. Currently, KSA has several Islamic banks as well as banks that offer Islamic banking windows [4]. In addition, KSA hosts one of the biggest Islamic bank in the world (Al-Rajhi) [5], making this country ideal one for examining customer satisfaction with the services provided by Islamic banks. In addition, the study was conducted in the Muslim holy city, Almadina Almunawara, which is the main city and the center of the Madinah province located in the Hejaz region of KSA.

### **1.1. Study Objectives**

The main objective of the current study was to investigate customer satisfaction towards services provided by full-fledged Islamic banks in Almadinah city, Saudi Arabia. The second objective was to examine factors that might affect customer satisfaction level. The third aim was to determine the

39 impact of customers' perception about compliant of the banking practices to the Islamic law on  
40 customer satisfaction level.

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## 42 **1.2. Literature Review**

43 This section covered several of the previous studies that examined the satisfaction of Islamic bank  
44 customers to their services. Studies conducted in KSA were reviewed first and then studies conducted  
45 elsewhere.

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## 47 **1.3. Studies on banks customer satisfaction conducted in KSA**

48 A recent study examined factors that affect the level of customer satisfaction provided by Al Rajhi  
49 Bank in Qassim region, Saudi Arabia. The study included 184 customers and found that factors such  
50 as reliability, efficiency, and responses to client inquiries play an important role in achieving customer  
51 satisfaction [5]. Two additional recent studies showed acceptable levels of customer satisfaction of  
52 Islamic banks in Saudi Arabia and the levels were comparable to that of conventional banks [4,6]. A  
53 study of Aljasser and Sasidhar (2015) examined demographic factors that impact the satisfaction  
54 perceptions of customers of banks in Saudi Arabia. The study included 449 customers and revealed  
55 that male customers had significantly higher satisfaction than female customer with online and mobile  
56 banking applications [3]. In addition, level of education and income significantly associated with  
57 male, but not female satisfaction [3].

58 A different investigation that was conducted on 276 customers from Riyadh city, the capital of Saudi  
59 Arabia revealed that tangibles was the only factor that significantly linked to customer satisfaction,  
60 whereas factors such as empathy and responsiveness showed a positive relationship with customer  
61 satisfaction, however, they did not research statistically the significant level [7]. Another study that  
62 was conducted also in the Saudi capital showed that tangibles and reliability were the most influential  
63 factors to enhance customers' overall probability of satisfaction to online services provided by banks  
64 in the city [8]. Finally, a study that investigated consumer perceptions of Islamic banks in Saudi  
65 Arabia showed that the customers were generally satisfied with the full-fledged Islamic services.  
66 However, customers perceive that Islamic banking practices were not fully compliant with Islamic  
67 law and they disapprove of the window Islamic banking by the conventional ones [9].

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## 69 **1.4. Studies on Islamic bank's customer satisfaction conducted in other countries**

70 A recent study conducted in Pakistan and included 269 subjects showed that expectation of tangibles,  
71 understanding of customer needs, and responsiveness to consumer inquiries were the most important  
72 factors that affect Islamic banks with respect to customer satisfaction [10]. A second study from  
73 Pakistan found good awareness and satisfaction of customers with respect to products and services  
74 provided by Islamic banks [11]. A Malaysian study that included 200 customers revealed that  
75 tangibles, convenience and speed were closely linked to customer satisfaction toward Islamic banking  
76 services [12]. In a different study from the same country showed positive relationships between  
77 customer satisfaction and factors such as personnel and images of the Islamic banks, quality and  
78 accessibility of offered services [13].

79 A study from Bangladesh that included 385 customers from 6 different Islamic banks showed that  
80 personnel, service capability, and social responsibility were strong indicators of customer satisfaction  
81 [14]. Customers of Islamic banks in Tunisia had positive perceptions of the Islamic banks' provided  
82 services that capable of competition with conventional banks. However, participants expressed their  
83 concerns regarding staff skills and financing price and return on savings of Islamic banks [15].  
84 Finally, a study conducted on Kuwait Finance House reported acceptable satisfaction level of most  
85 services provided by the bank. In addition, the customers pointed that more work should be done to  
86 improve the appearance, architecture, and the internal design of the bank branches. The customers  
87 also highlighted the need to train staff to handle financial inquiries of customers over the phone [16].

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## 89 **2. MATERIAL AND METHODS**

### 90 **2.1. Subjects**

91 The study is cross-sectional and involved the use of self-administered questionnaire to examine  
92 customer satisfaction of Islamic banks in Almadinah Almunawara city. Almadinah is the main city  
93 and the center of the Madinah province located in the Hejaz region of Western part of Kingdom of  
94 Saudi Arabia. The population of Almadinah city is about 1.8 million. The city hosts most of the banks  
95 that operate in the Kingdom, including Islamic and the traditional ones. Participants from Almadinah  
96 city were invited to participate in the study using social media applications such as WhatsApp and  
97 Facebook. The Research Committee at the Faculty of Business Administration at Taibah University  
98 approved the study. A total of 292 Islamic bank customer completed the online administered  
99 questionnaire.

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## 101 **2.2. The study instrument**

102 The implemented questionnaire was adapted from several previous studies that examined satisfaction  
103 of customers toward bank services including Islamic ones [10,11,13,17]. The questionnaire was  
104 prepared in Arabic and validated by piloting it to about 20 customers before applying it to  
105 participants. The questionnaire clarity and reading comprehensibility were also considered in this  
106 step. For all instrument items, the concordance in the responses of the customers was more than 95%.  
107 The instrument was divided into tow domains. The first domains asked about demographics of the  
108 participants that included age, gender, educational level and duration of using Islamic banks. The  
109 second domain asked questions about satisfaction of customers for services provided by Islamic  
110 banks. This domain consisted of 19 items that covered satisfaction with services and reflect the  
111 following dimensions: personnel, image, reliability, accessibility, trust, empathy and compliance with  
112 Islamic law. The items in this domain utilize the five-point scale (1 strongly disagree to 5 strongly  
113 agree) and it has been used to measure customer satisfaction [17]. The Arabic used questionnaire is  
114 available upon request. Google forms were used to prepare the instrument and most of the items were  
115 indicated as required fields. A cover page that contained instructions, the purpose of the study and  
116 contact information of researcher was included in the instrument. The study was conducted between  
117 December of 2018 and March of 2019.

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## 119 **2.3. Data analysis**

120 Collected data were downloaded from Google forms into an EXCEL sheet and then transferred into  
121 the SPSS sheets (version 21) for analyses. Analysis of satisfaction items was performed as previously  
122 described [17] using crosstab, correlation and regression tests. Data on age, customer duration, and  
123 satisfaction score were expressed as mean  $\pm$  SD.  $P < 0.05$  was used to indicate statistical significance.

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## 126 **3. RESULTS AND DISCUSSION**

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128 A total of 292 Islamic bank customers from Almadinah city, Saudi Arabia agreed to participate in the  
129 study. Sample characteristics are shown in Table 1. The mean age of the participants was 33.4 years.  
130 The majority of participants were females (55.1%), married (61.6%), hold university degrees (60.9%),  
131 worked in the private sector (53.7%), and with a monthly income of less than 5000 Saudi Riyal. The  
132 average customer duration with Islamic banks was 8.2 years.

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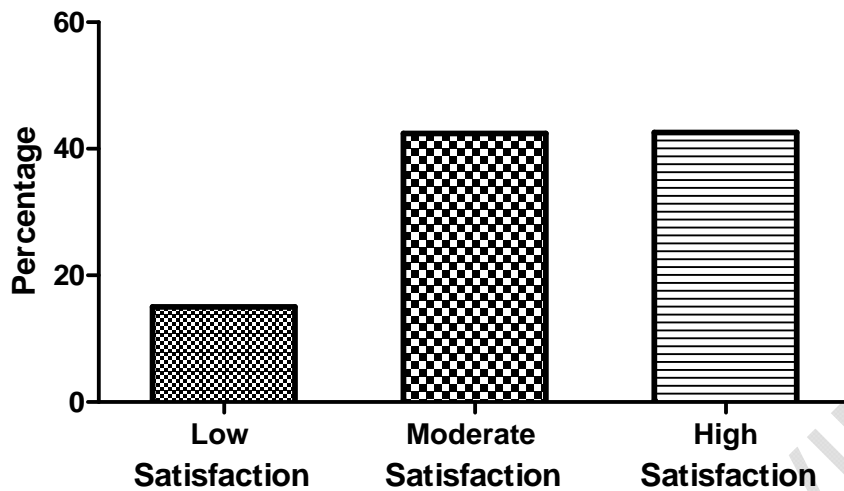
**Table 1: Characteristics of study participants.**

Parameter	Total sample = 292
Age: (mean $\pm$ SD)	33.4 $\pm$ 11.7
Age groups: N (%)	
< 30	109 (37.4)
30-40	88 (30.1)
41- 50	60 (20.5)
> 50	35 (12.0)
Gender	

Male	131 (44.9)
Female	162 (55.1)
<b>Marital status</b>	
Single	112 (38.4)
Married	180 (61.6)
<b>Educational level</b>	
Secondary School or less	91 (31.2)
College degree	23 (7.9)
BSc degree	140 (47.9)
MSc/PhD	38 (13.0)
<b>Employment</b>	
Governmental sector	138 (47.3)
Private sector	154 (53.7)
<b>Monthly income (Saudi riyal)</b>	
< 5000	172 (58.9)
5000-10000	46 (15.8)
10001-15000	66 (22.6)
> 15000	8 (2.7)
<b>Customer Duration with Islamic Bank (year ± SD)</b>	
< 5 year	113 (38.7)
5-10 years	80 (27.4)
11-15 years	55 (18.8)
> 15 years	44 (15.1)

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Figure 1 shows that about 85% of the sample expressed acceptable level of satisfaction toward the services provided by the Islamic banks. However, about 15% showed low level of satisfaction. To understand customer satisfaction, data were analyzed according to the demographics of the sample (Table 2). Factors such as gender and duration with Islamic banks were associated with customer satisfaction. Females were less satisfied than male customers ( $P = 0.05$ ). In addition, customers with long duration with Islamic banks ( $> 10$  years) were more satisfied than customers with shorter durations ( $P = 0.001$ ). Other factors such as age, marital status, educational level, type of employment and income were not significantly related to customer satisfaction.



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**Figure1.** Customers satisfaction level to Islamic banks in Almadinah city, Saudi Arabia.

Table 3 shows the mean satisfaction score for service parameters. Most parameters showed good mean satisfactory scores that range between 3.6 and 4.32. This reflects an acceptable satisfaction level. This range is similar to previous studies conducted in the region [8,9,16].

**Table 2: Customer satisfaction according to demographic parameters**

Parameter	Low	Moderate	High	P value
<b>Age groups: N (%)</b>				
< 30	13 (11.9)	49 (45.0)	47 (43.1)	
30-40	15 (17.0)	32 (36.4)	41 (46.6)	0.540
41- 50	12 (20.0)	28 (46.7)	20 (33.3)	
> 50	4 (11.4)	15 (42.9)	16 (45.7)	
<b>Gender</b>				
Male	12 (9.2)	53 (40.5)	64 (50.3)	
Female	30 (18.6)	71 (44.1)	60 (37.3)	<b>0.048</b>
<b>Marital status</b>				
Single	12 (10.7)	48 (42.9)	52 (46.4)	
Married	32 (17.8)	76 (42.2)	72 (40.0)	0.227)
<b>Educational level</b>				
Secondary School or less	10 (11.0)	40 (44.0)	41 (45.1)	
College degree	3 (13.0)	12 (52.2)	8 (34.8)	
BSc degree	24 (17.1)	54 (38.6)	62 (44.3)	0.649
MSc/PhD	7 (18.4)	18 (47.4)	13 (34.2)	
<b>Employment</b>				
Governmental sector	19 (13.8)	60 (43.5)	59 (42.8)	
Private sector	25 (16.2)	64 (41.6)	65 (42.2)	0.834
<b>Monthly income (Saudi riyal)</b>				
< 5000	26 (15.1)	79 (45.9)	67 (39.0)	
5000-10000	9 (19.6)	16 (34.8)	21 (45.7)	

10001-15000	9 (13.6)	26 (39.4)	31 (47.0)	0.613
> 15000	0 (0.0)	3 (37.5)	5 (62.0)	
<b>Customer Duration with Islamic Bank (year ± SD)</b>				
< 5 year	22 (19.5)	50 (44.2)	41 (36.3)	
5-10 years	19 (23.8)	30 (37.5)	31 (38.80)	
11-15 years	3 (5.5)	22 (40.0)	30 (54.5)	<b>0.001</b>
> 15 years	0 (0.0)	22 (50.0)	22 (50.0)	

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**Table 3: Average score ± SD of service quality parameter**

Parameter	Mean Score ± SD
Personnel	3.62 ± 0.97 V4
Image	3.95 ± 0.86 V18
Reliability	3.68 ± 0.90 V16
Accessibility	4.32 ± 0.81 V11
Trust	3.89 ± 1.05 V12
Empathy	4.07 ± 0.89 V14
Compliance with Islamic Law	3.95 ± 1.02 V1

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Table 4 shows correlational analysis between customer satisfaction score and different examined parameters of provided services. Significant differences were found between customer satisfaction and most parameters, namely: personnel, image, reliability, trust, empathy, and compliance with Islamic law. Regression analysis (Table 5) showed that only personnel, image, reliability, and compliance with Islamic law were significantly associated with customer satisfaction.

**Table 4: Correlational analysis between Islamic banks customer satisfaction and service parameters**

Parameter	Customer Satisfaction	P value
Personnel	0.355	<b>0.000</b>
Image	0.385	<b>0.000</b>
Reliability	0.497	<b>0.000</b>
Accessibility	0.026	0.653
Trust	0.118	<b>0.043</b>
Empathy	0.120	<b>0.041</b>
Compliance with Islamic Law	0.486	<b>0.000</b>

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**Table 5. Multiple regression analysis of satisfaction parameters**

Model	Unstandardized Coefficients (B)	Standardized Coefficients (Beta)	t value	Significance P value	Confidence Interval
Constant	-0.716		-1.522	0.129	-1.642-0.210
Personnel	0.137	0.128	2.49	<b>0.013</b>	0.029-0.246
Image	0.222	0.184	3.74	<b>0.000</b>	0.106-0.339
Reliability	0.264	0.227	4.10	<b>0.000</b>	0.137-0.390
Accessibility	-0.035	-0.027	-0.566	0.572	-0.155-0.086
Trust	0.024	0.024	0.510	0.611	-0.068-0.116
Empathy	0.016	0.013	0.277	0.782	-0.096-0.127
Compliance with	0.242	0.238	4.369	<b>0.000</b>	-1.64-0.210

Islamic Law					
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175 In the current study, customer satisfaction towards services provided by Islamic banks in Almadinah,  
176 Saudi Arabia was investigated. The findings indicate acceptable levels of customer satisfaction of  
177 Islamic banks in the city. About 85% of the sample expressed acceptable level of satisfaction toward  
178 the services provided by the Islamic banks. This reflects an acceptable satisfaction level. This range is  
179 similar to previous studies conducted in the region [8,9,16].

180 However, about 15% showed low level of satisfaction. Achieving high customer satisfaction is  
181 essential to prevent attrition or churn among customers [18]. The low satisfaction level expressed by  
182 some customers might be used as a factor in customer churn prediction model [19]. Islamic banks are  
183 therefore, urged to strengthen the campaign by providing efficient, customer focused and innovative  
184 services to satisfy all of their customers and to limit customer churn.

185 The results showed that factors such as gender and duration with Islamic banks were associated with  
186 customer satisfaction. In addition, females were less satisfied than male customers. According to PwC  
187 global using Middle East Islamic Finance survey, gender differences were noticed in the preference to  
188 services provided by Islamic banks (PWC, 2014). A study that was conducted in Zimbabwe found a  
189 strong impact of gender on customer satisfaction in the banking sector, as female customers were  
190 more concern about the performance of bank personnel and appearance of bank facility than male  
191 customers [20]. Gender differences in customer satisfaction with bank services were also noticed in a  
192 Czech Republic study that found females to give high rates to the quality and accesses to the services  
193 provided by the bank than male customers [21]. Gender differences in the perception to services  
194 provided by banks were also reported in studies conducted in Greece [22], Kenya [23] and Lithuania  
195 ([24]. In Almadinah city, the banks usually have separate branches that serve female customers.  
196 However, such branches are few and not well distributed when compared to male branches. This is  
197 could be one of the reasons behind the finding of this study that female customers are less satisfied  
198 than male customers. With respect to customers duration, it is logical that customers with longer  
199 duration to be loyal to the bank and to be highly satisfied. In support of this finding, a study that was  
200 conducted in North Cyprus showed that good and firm relations, and trust are detrimental factors  
201 for satisfaction of customers in the bank sectors [25]. Similarly, good and firm relationships were  
202 found to have both a strong impact on banks customer satisfaction [26]. The association between long  
203 customer durations and satisfaction suggest the importance of establishing good relationship and trust  
204 between the bank and its clients.

205 The results showed that personnel, image, reliability, and compliance with Islamic law were  
206 significantly associated with customer satisfaction. These results were consistent with several  
207 previous studies that examined customer satisfaction toward the services provided by Islamic banks.  
208 For example, studies that were conducted in Malaysia, Bangladesh and Tunisia showed strong impact  
209 of personnel on Islamic banks customer satisfaction [13-15]. Similarly, image and reliability of  
210 Islamic banks have been shown to be associated with customer satisfaction [5,7,8,10,16]. Finally, A  
211 strong relationship between customer perception of bank compliance with Islamic law and customer  
212 satisfaction level was reported [9]. Thus, the current findings are in agreement with most previous  
213 related studies.

214 The current study examined customer satisfaction to in full-fledged Islamic banks. Several  
215 conventional banks have Islamic windows in Almadinah city. Therefore, examining customer  
216 satisfaction in these banks is strongly recommended in future studies.

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#### 218 **4. CONCLUSION**

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220 In the current study, customer satisfaction towards services provided by Islamic banks in  
221 Almadinah, Saudi Arabia was investigated. The findings indicate acceptable levels of  
222 customer satisfaction (85%) to Islamic banks. In addition, factors such as image, reliability,  
223 personnel and compliance to Islamic law were the most important factors that affect

224 satisfaction with provided services. Finally, gender differences were noticed with respect to  
225 customer satisfaction with female customers seemed to be less satisfied than males.  
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## 228 **COMPETING INTERESTS**

229

230 Author has nothing to declare

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