



UNIVERSITI
TEKNOLOGI
MARA

University Publication Centre (UPENA)

Voice of Academia

Academic Series of Universiti Teknologi MARA Kedah

VOA
Volume 11 (1)2016

TABLE OF CONTENT

Comparison of Customers' Perception On Service Quality Between Conventional and Islamic Bank

Mohd Radzi Mohd Khir,
Mohamed Samsudeen
Sajahan

Vokal Schwa Dalam Kata Pinjaman Bahasa Arab

Ahmad Fauzi Yahaya,
Syahirah Almuddin,
Mohd Zulkhari Abd Hamid

Survey on the Satisfaction of Municipal Services

Zaherawati Zakaria

Perceived Organizational Support (POS) and the Career Success among Academician in Malaysian Universities

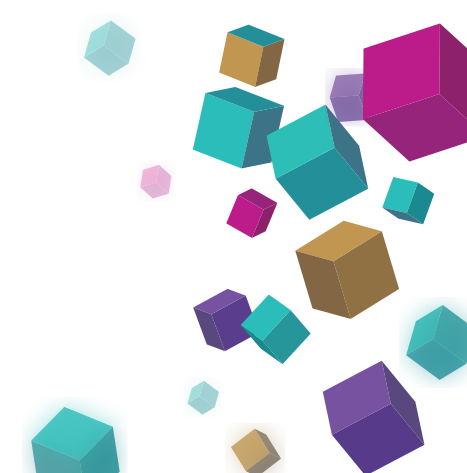
Siti Meriam Ali,
Mohd Rizaimy Shaharudin

Working Sector and Participation Relationship: Rukun Tetangga Activities In Northern State of Malaysia

Ahmad Zaharuddin Sani
Ahmad Sabri Ahmad,
Noor Afifah Mohammad,
Roziya Abu

Kitchen Electrical Appliances Design: Does it influence to the Consumer Lifestyle?

Mohd Hamidi Adha Mohd
Amin,
Mohamad Hariri Abdullah



ACADEMIC SERIES COMMITTEE
UNIVERSITI TEKNOLOGI MARA KEDAH

Editor-in-Chief

Mahazir Ismail(Dr.)
Mohd Rizaimy Shaharudin (Dr.)

Managing Editor

Siti Natasha Binti Mohd Yatim

Field Editor Journal VOA

Name

Mohamad Faizal Bin Ab Jabal
Dr. Wan Adibah Wan Ismail

Etty Harniza Harun

Aishah Musa

Fadila Binti Mohd Yusof

Dalili Izni binti Shafie

Dr. Hafizah Besar Saaid

Dr. Azhari Md Hashim

Muhammad Saiful Islami Mohd Taher

Syakirah Mohammed

Zetty Harisha Harun

Robekkah Harun

Siti Aisyah Yusof

Dr. Rosidah Ahmad

PM Dr. Nik Ramli Nik Abdul Rashid

Dr. Roziya Abu

Azmir Bin Mamat Nawi

Syahrini Shawalludin

Field/Subject

Image Extraction, Segmentation, Recognition

Accounting - financial reporting, corporate
governance and auditing

International Business

Language Editor

Art & Design / Social Science

Human Resource Management

Management, Health Services Management, Office

Management and Technology, Organizational

Behavior, Biomedical ethics/bioethics/Islamic
bioethics

Art & Humanities, Design Interaction / Visual
Communications

Pengajian Islam, Usuluddin, Syariah, Perbankan Islam

TESL/TESOL/ESL

Language Editor

TESL/TESOL/ESL

Pendidikan Islam, Al-quran dan Hadis, Tamadun
Islam,

Sains dan Teknologi Islam, Psikologi Islam

Educational Technology, Educational Mathematics &
Operation research

Marketing/Corporate Environmental Management

Rural Library, Community & Rural Development,

Community & Rural Empowerment, PR in Library &
Information Resource Centre, Library & IRC Product/
service Marketing & Promotion

Art & Design / Social Science

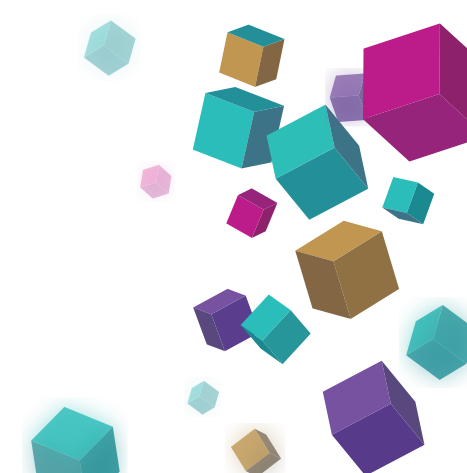
Graphic Designer

Copyright © 2015 by the Universiti Teknologi MARA, Kedah

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or any means, electronic, mechanical, photocopying, recording or otherwise, without prior permission, in writing, from the publisher.

© Voice of Academia is jointly published by the Universiti Teknologi MARA, Kedah and Penerbit UiTM (UiTM Press), Universiti Teknologi MARA Malaysia, Shah Alam, Selangor. Printed by Perpustakaan Sultan Badlishah, Universiti Teknologi MARA, Kedah.

The views, opinions and technical recommendations expressed by the contributors and authors are entirely their own and do not necessarily reflect the views of the editors, the Faculty or the University.



COMPARISON OF CUSTOMERS' PERCEPTION ON SERVICE QUALITY BETWEEN CONVENTIONAL AND ISLAMIC BANK

(Corresponding Author)

Mohd Radzi Mohd Khir

Faculty of Business Management, University Teknologi MARA(UiTM)

P.O Box 187, 08400 Merbok

Sungai Petani, Kedah, Malaysia

Mohamed Samsudeen Sajahan

Faculty of Administrative Science & Policy Studies,

University Teknologi MARA(UiTM)

P.O Box 187, 08400 Merbok

Sungai Petani, Kedah, Malaysia

Abstract

The purpose of this study is to measure and compare the customers' perception on the service quality between conventional and Islamic bank in Malaysia. A field study carried out with the help of questionnaires constructed using a modified SERVQUAL and CARTER scales. A total of 196 customers of Bank Islam Malaysia Berhad (BIMB) and Malayan Banking Berhad (MBB) located at Legenda Height, Sungai Petani in the Northern Region of Malaysia were selected as respondents for this study using the convenience sampling method. Correlation analysis shows that there is a significant relationship between the six service quality dimensions (tangibility, reliability, responsiveness, assurance, empathy and compliance) and customer perception of service quality. The findings reveal that there are significant differences of customers' perception towards the service quality of conventional and Islamic bank. Specifically, the perception of compliance, reliability and empathy are found to be significantly different between the two types of banks. The result of the study also shows that Islamic customer placed compliance as the most important factors of service quality while for conventional bank customers, tangible is the most important factors. Although the study has used the modified SERVQUAL and CARTER model, the results of the research are derived based on relatively small sample size and from only two banks located in the same location. Thus, this limits the generalization of the study results which call for future research attention. However, the results could be useful to the conventional and Islamic bank policy makers to understand the behavioral attention of their customers and take initiative to effectively position the service quality of their banks.

Keywords: Customer Satisfaction, Service Quality, Conventional Bank, Islamic Bank

Introduction

The development of the Islamic banks in Malaysia is increasingly challenging with more conventional banks participating and offering banking products and services based on Islamic principles after two decades of its establishment (‘Ismah, Husniyati, Anizah, Wan Edura and Kamaruzaman, 2009). Malaysia is known as the first nation in the world to have successfully adopted a dual banking system, where a full-fledged Islamic system operates alongside the conventional banking system. Although Islamic banking is relatively new, it is well established at all corners of the globe and has received wide acceptance by both Muslim and non-Muslim communities (Iqbal and Molyneux, 2005).

The Islamic banks offer more or less similar products and services as the conventional banks such as current accounts, credit cards, investment in securities, cheque collection and others. The principle difference is that Islamic banking follows the Islamic transaction rules or principles (Sharia’s) in carrying out their business in which any payment or receipt of interest is strictly prohibited (Dusuki and Abdullah, 2007).

Based on a previous research, it is found that the service quality of the Islamic banks fell below under customer expectation in Malaysia (Izah, M. T., Abu Bakar, N. M., Wan Ismail, W.Z., 2008). In another research in Pakistan, it was found that the customers of the both banks are satisfied with the facilities that are provided by the both banks but customers of conventional banks are more satisfied than the customers of Islamic bank (Sheikh, Taseen, Haider and Naeem, 2010). The researcher had concluded that the current perception held by the customer and their perceptions regarding the service quality delivered by the conventional and Islamic bank are different. This study is to examine relationship between service quality perception and customers’ satisfaction in Malaysia Islamic and conventional bank by adapting and modifying the SERVQUAL and CARTER scales which are tangibility, reliability, responsiveness, assurance, empathy and compliance.

Literature Review

Service quality remains a critical measure of organizational performance for banking institutions and will continue to be at the forefront of services marketing literature and practice (Lassar et al., 2000; Yavas and Yasin, 2001). Indeed, service quality is now touted to be more important than the “4Ps” of marketing mix (Wong and Perry, 1991). The enthusiasm is mostly kept high by the fact that a high service quality offered often leads to customer satisfaction, loyalty, and other positive behavioral outcomes such as greater willingness to recommend the service providers to others, lesser complaints, and improved customer

retention (Bitner, 1990; Bitner and Hubber, 1994; Bolton and Drew, 1994; Danaher, 1997; East, 1997; File and Prince, 1992; Headley and Miller, 1993; Mohd Rizal et al., 2007; Levesque and McDougall, 1996; Magi and Julander, 1996; Reichheld and Kenny, 1990; Richens, 1983; Zeithaml et al., 1990, 1996). Further, poor service quality leads to higher costs of acquiring customers to replace those who have been lost (Clutterbuck, 1989; Liswood, 1989; Schneider et al., 1998; Spechler, 1989; Uller, 1989).

Quality is defined as the totality of features and characteristics of a product or service that bears on its ability to satisfy given needs. The modern concept of quality is characterized by fitness for purpose, that is, it shifts the evaluation of quality from the provider to the consumer. The service provider therefore has to be aware of the consumers' attitudes and perspectives in order to be able to provide quality services (Jones and Lockwood, 1989). This is coupled with the fact that customers are becoming increasingly sensitive to quality (Augustine and Ho, 1998). Therefore, service quality is an integral part in satisfying customers who possess certain characteristics or features that are unique to one another, thus leaving the challenge to the producers of services to understand true customer needs and translate these into services that will satisfy those needs.

In service industries, globally, the subject of service quality remains a critical one as businesses strive to maintain a comparative advantage in the marketplace. Since financial services, particularly banks, compete in the marketplace with generally undifferentiated products, service quality becomes a primary competitive weapon (Stafford, 1996). Banks that excel in quality service can have a distinct marketing edge since improved levels of service quality are related to higher revenues, increased cross-sell ratios and higher customer retention (Bennett and Higgins, 1993), and expanded market share (Bowen and Hedges, 1993). In addition, higher profits will be earned by the banks if they can position themselves better than their competitors within a specific market (Davies et al., 1995). Therefore, banks should focus on service quality as a core competitive strategy (Chaoprasert and Elsey, 2004).

It is indeed true that delivery of high-service quality to customers offers firms an opportunity to differentiate themselves in competitive markets (Karatepe et al., 2005). In contrast, high quality of service leads to customer satisfaction and loyalty and greater willingness to suggest and or recommend to someone else, reduction in customer complaints, and improved customer retention rates to a great extent (Bitner, 1990; Headley and Miller, 1993; Zeithaml et al., 1996; Danaher, 1997). Research has indicated that service quality has been increasingly recognized as a critical factor in the success of any business (Parasuraman et al., 1988) and the banking sector in this case is not exceptional. Service quality has been widely used to evaluate the performance of banking services (Cowling and Newman, 1995).

The SERVQUAL model developed by Parasuraman et al. (1988) has provided a comprehensive conceptualization of service quality with an instrument to measure perceived service quality. This method has been very popular with academics and researchers to assess the customer perception of service quality for a variety of service industries. They identified five dimensions of service quality (three original and two combined dimensions), and provided concise definitions for each of them.

The first dimension is tangibility. Tangible is referring to the physical facilities, equipment, appearance of the employees and the communication materials that used by the employees to communicate with their customers. Tangibility is more concern on the aesthetic part of the firm. Parasuraman (1988) has stated that tangibles also considering the employees' appearances besides the physical facilities and equipment provided by the organization to their customers. The customer also will evaluate the personnel appearance such as their dressing, tidiness and face expression. This statement had been supported by Baker (1986) and Santos (2002) which agreed that the employees' appearance is also part of the tangibles. Meanwhile Santos (2002) focus on the built environment or "service scape" which include the ambient condition, spatial layout and functionality, signs and symbol in the organization's premises. According to Bitner (2002), when the customer are involved in the production and consumption process of a service conducted within in a physical environment such as the organization premises, the physical environment will bring big impact on the customer's perception of service experience. This statement has been supported by Chebat and Michon (2003) who noted that the lightning and pleasing scent affects the customer's perception regarding the service quality and also affecting the moods of the consumer to use the service provided. The organization should create comfortable and convenience physical environment to attract the customer to use their services. Therefore, the physical environment of the outside and inside the organization' premises can influence the perception of customers towards the service provided by the firm.

Reliability, which is the second dimension, is described as the ability to perform the promised service dependably and accurately (Parasuraman, Zeithaml and Berry, 1988). Some organization has the client charter. The personnel is said to be reliability when they fulfill the organization's client charter when they deliver and make transaction with their customers. According to Dabholkar (1996), he defines the reliability dimension consist of promises and the do it right. The reliability dimension evaluates the promises of the organization and its execution from the customer's point of view. The customer will evaluate this dimension when they made transaction with the employees. Therefore, the employees must know their role in delivering their services towards their customers so that the customers satisfied with the service provided and same as it

has been promised.

Third, responsiveness is regarded as willingness of staff or employees to help customers and provide prompt service. Jayaraman, M., Shanker, C. & Mun, H.W. (2010) has highlighted that the dimension of responsiveness can be affected by the employees' emotions which can result in low productivity. When the employees did not respond to their requirements on time, they will feel dissatisfied and this will affect the customer's perception regarding the service quality delivered by the staffs. If the staffs are able to solve their problem immediately, the customer will feel delighted and their perception towards the employees' readiness to help them is high.

Knowledge and courtesy of employees and their ability to inspire trust and confidence among customers are under the fourth dimension of assurance. According to Parasuraman (1988), assurance is an essential dimension of service quality which came after the reliability and responsiveness towards the customers' satisfaction. In conjunction, assurance has its strongest impact which effected towards the customer satisfaction which it leads to positive word of mouth outcome (Arasly, H., Katircioglu, S.T. and Mehtap-Smadi, S., 2005). Jayaraman et. al. (2010), concluded that there are two most possibilities which described assurance. Firstly, is the customer feel that bank institution has provided the safety and confidence towards their respective customers? Secondly, is where the customer's expectation of level safety did not been fulfilled where the bank are not able to provide towards their customers. Thus, the bank should improve and concerns about the security issues towards public since many cases has been reported regarding on the security breach in the internet banking and phone banking which its due to the customers' carelessness and recklessness. Perhaps, the financial institution may create the customers satisfaction by ensuring trustworthy behavior and reflection of genuine commitments to service provision (Nelson and Chan, 2005). Nelson, (2005) has found that trust and commitments are crucial factors for customer satisfaction. So, once the customers' has put their trust and confidence towards the bank on their services and product, the bank should be more concerns and make improvement on how to increase the customers satisfaction.

The fifth dimension, empathy, deals with caring, customization, and individual attention given by a firm to their customers, in other words, how a firm appreciates its customers. It is suggested that employees commitment to deliver quality services, skillfully handling of conflicts and efficient in delivering the services may result into satisfied customers for long-term benefits (Nelson and Chan, 2005). According to Tahir and Abubakar (2007), empathy is least preferred dimension of service quality by the customers of commercial banks in Malaysia.

Since the Islamic banking industry operates under the different

principles and cultures which compared to the other service industries, most of the researchers argued that an additional dimension should be develop in the SERVQUAL method which originated of five dimensions: tangibles, assurance, responsiveness, empathy and reliability (Parasuraman, 1988). Thus, there are new instrument called CARTER has been developed to measure the service quality in 'Islamic banking which include compliance with Islamic law as an additional dimension.

Islamic banking is conducted on the basis of Islamic principles. There is a compliance dimension that should be made clear. Muslims are told in the Koran that taking interest is a major sin. To protect Muslim customers from interest, Islamic banks have to set up financial instruments that are in accordance with Islamic principles and in line with the objectives of Islamic banks. The common products used in Islamic banking products and services are mudharabah (profit sharing), wadiah (safekeeping), musyarakah (joint venture), murabahah (cost plus), and ijarah (leasing). According to the Banking Act 1983, Islamic banks and banking institutions that offer Islamic banking products and services are required to establish a Syariah Advisory Committee to advice them and to ensure that the operations and activities of the bank comply with Syariah principles. In addition, the National Syariah Advisory Council set up at Bank Negara Malaysia advises the central bank on the Syariah aspects of the operations of these institutions, as well as on their products and services (Lock, 1987). Based on the foundation philosophy underlying Islamic banking as mentioned above, it is important to add compliance dimension under service quality dimensions. Othman and Owen (2001, 2002) used the SERVQUAL dimensions in examining service quality in Islamic banking. In order to provide useful insights into how the service might be improved, they attempted to develop an alternative model, called CARTER. These studies have established the compliance factor as dimension of service quality.

Hypotheses

To achieve the research objective, the researchers have structured two hypotheses. The hypotheses that have been tested in this study are as below.

- H1: Service quality dimension has positive relationship with customer perception of service quality.
- H2: There are differences in perception of service quality among customers of Conventional Bank and Islamic Bank.

Research Methodology

Sampling

The population of this research consists of the customers of Bank Islam and Maybank in Legenda Height, Sungai Petani Kedah. Both banks attended more than one hundred customers per day. The researcher has used the formula that established by Fidell & Tabachnick (2007) i.e. $N > 50 + 8m$, where m represent the number of independent variables in this research, as to determine the sample size. Therefore, 98 respondents were selected from each bank using convenience sampling techniques. The total respondents in this study are 196.

Survey Instrument

The data for this study were collected through the distribution of questionnaires to the Malayan Banking and Islamic Bank customers. This questionnaire is personally administered by the researcher. The advantage of this method is the completed data can be collected from the respondents in a one time period (Sekaran, 2006). The instrument contains three sections. The first section consists of questions related to the socio-demographic profile of respondents. The second section comprises questions that measure the Independent variables. The last section measures the respondents' perception on the service quality delivered by both banks. A five –point Likert scale, ranging from 1 – strongly disagree to 5 – strongly agree, is used for all the items in section B and C.

Data Analysis

The study considers few statistical methods in the presentation of the research results. The methods used are descriptive statistics, Cronbach alpha coefficient, and t-test and Pearson correlation.

Results

Reliability test

To determine the reliability of the scale, Cronbach's alpha coefficient is used and the reliabilty rates of all the independent variables are found to be adequate as the values for each variables are significantly more than the prescribe 0.70 thresholds (Table 1).

Table 1 Reliability test on the independent variables

Variables of the study	No of items	Cronbach's Alpha
Tangible	4	0.815
Reliability	4	0.807
Responsiveness	4	0.813
Assurance	4	0.830
Empathy	4	0.833
Compliance	4	0.853

Descriptive Analysis

Based on the Table 2, the age range of the majority respondents at both bank is between 20-29. In BIMB, the percentage of the customer age between 20-29 is 42.9 percent of the total respondent meanwhile in Maybank it represent about 40.8 percent of its total respondent. The gender of the respondent are distributed equally, however the number of male at BIMB and female at Maybank are the same which is 50 respondents. In opposite side, the number of female at BIMB and male at Maybank are also same which is 48 respondents.

Table 2 Respondents Profile

Item	Description	No of Respondents (BIMB)	% (BIMB)	No of Respondents (Maybank)	% (Maybank)
Age (years)	20 – 29	42	42.9	40	40.8
	30 – 39	25	25.5	32	32.7
	40 – 49	11	11.2	24	24.5
	50 and above	20	20.4	2	2
Gender	Male	50	51.02	48	48.98
	Female	48	48.98	50	51.02

T-Test

T-test has been use to investigate whether there are differences in perception of service quality among customers of conventional bank and islamic bank.

Table 3 The comparison of the customer perception on service quality dimensions at conventional and Islamic bank

Service Quality Dimensions	T-test for equality of means		
Tangible	t	df	Sig. (2-tailed)
Equal variances assumed	-1.553	194	0.122
Reliability	t	df	Si . 2-tailed
Equal variances assumed	-2.133	194	0.034
Responsiveness	t	df	Sig. (2-tailed)
Equal variances assumed	-1.207	194	0.229
Assurance	t	df	Sig. (2-tailed)
Equal variances assumed	-1.908	194	0.058
Empathy	t	df	Si . 2-tailed
Equal variances assumed	-2.481	194	0.014
Compliance	t	df	Sig. (2-tailed)
Equal variances assumed	3.248	194	0.001

Table 3 shows the comparison of the customer perception on service quality dimensions at conventional and Islamic bank.

The two-tail significance for tangible indicates that $p > .05$, which $t(194) = -1.553$, where $p = 0.122$, and therefore is not significant. Therefore, the researcher accept the null hypothesis and reject the alternative hypothesis.

The two-tail significance for reliability indicates that $p < .05$, which $t(194) = -2.133$, where $p = 0.034$, and therefore it is significant. Therefore, the researcher accept the alternative hypothesis and reject the null hypothesis. Thus, it is concluded that there is a significant different of customer perception in reliability dimension among conventional and Islamic bank.

The two-tail significance for responsiveness indicates that $p > .05$, which $t(194) = -1.207$, where $p = 0.229$, and therefore is not significant. Therefore, the researcher accept the null hypothesis and reject the alternative hypothesis.

The two-tail significance for assurance indicates that $p > .05$, which $t(194) = -1.908$, where $p = 0.058$, and therefore is not significant. Therefore, the researcher accept the null hypothesis and reject the alternative hypothesis.

The two-tail significance for empathy indicates that $p < .05$, which $t(194) = -2.481$, where $p = 0.014$, and therefore it is significant. Therefore, the researcher

accept the alternative hypothesis and reject the null hypothesis. Thus, it is concluded that there is a significant different of customer perception in empathy dimension among conventional and Islamic bank.

The two-tail significance for compliance indicates that $p < .05$, which $t(194) = 3.248$, where $p = 0.001$, and therefore it is significant. Therefore, the researcher accept the alternative hypothesis and reject the null hypothesis. Thus, it is concluded that there is a significant different of customer perception in compliance dimension among conventional and Islamic bank.

Correlation

The correlation analysis is used to measure the hypothesis whether there are relationship between the independent variables and dependent variables. From the result, it can be seen that all the service quality dimensions (independent variables) are positively correlated with the dependent variable. Most of the quality dimensions have moderate relationship. For Bank Islam, the empathy dimension has the highest value compared to others dimensions. This shows that empathy has strongest relationship with the customer satisfaction towards service quality in the Islamic bank. Meanwhile, the lowest value is the responsiveness dimension which is 0.485. Thus, the responsiveness dimension is least influential among the customers of Islamic bank. On the opposite side, it was found that the empathy dimension also has the highest value of correlation coefficient that influences the customer satisfaction of service quality in Maybank. The result shows that the compliance dimension has weak relationship with the service quality with the conventional bank.

Table 4 Correlation of the service quality dimension with customer perception on service quality

No	Dimensions of Service Quality (Independent variables)	Bank	
		Bank Islam (Islamic Bank)	Maybank (Conventional Bank)
1	Tangible	0.558	0.516
2	Reliability	0.531	0.555
3	Responsiveness	0.485	0.491
4	Assurance	0.569	0.539
5	Empathy	0.577	0.646
6	Compliance	0.500	0.187

Mean ranking

Table 5 shows the mean values and the ranking of the six dimensions of service quality (independent variables) according to the customer preferences. The findings show that the customers in both banks have different perceptions regarding service quality. The most important factor that makes customers like to deal with Islamic Bank

is the compliance factor. However, the customers of conventional bank ranked compliance as the least important factor in determining the service quality. The customer of Islamic bank ranked the tangible dimension as the second important factor that contribute to their satisfaction in making transaction with Islamic bank. This is because every customer believes that the banks need to provide the convenient environment towards their customers. The convenient environment will affect the customer's perception towards the service quality provide by the bank. Besides, physical evidence in the bank will also affect the first perception by the customers. Table 5 also revealed that tangible factor is the most important factor in conventional banking. This shows that the physical evidence plays vital roles in influencing the customer's perception on the bank's service quality.

Table 5 Mean values and ranking of independent variables

No	Independent variables	Means (Islamic Bank)	Ranking (Islamic Bank)	Means (Conventional Bank)	Ranking (Conventional Bank)
1	Tangible	15.225	2	15.745	1
2	Reliability	14.571	5	15.327	4
3	Responsiveness	14.398	6	14.827	5
4	Assurance	15.051	3	15.694	2
5	Empathy	14.806	4	15.582	3
6	Com liance	15.367	1	14.071	6

Discussion

The main objective of the study is to measure and compare the customers' perception on the service quality between conventional and Islamic bank in Malaysia. Besides, the study was also conducted to measure the relationship between tangible, reliability, responsiveness, assurance, empathy and compliance with customers' perception on the service quality rendered by conventional and Islamic banking in Malaysia. Two hypotheses have developed and tested and the findings are as follows:

H1: Service quality dimensions have positive relationship with customer perception of service quality.

The first hypothesis of this research is to identify whether the service quality dimensions which consist of the tangibility, reliability, responsiveness, assurance, empathy and compliance have positive relationship with customer perception of service quality. The findings showed that there is a significant relationship between the service quality dimensions and the customer perception of service quality. All the dimensions have the significant level $p < 0.05$. Therefore, the hypothesis is accepted.

H2: There are differences in perception of service quality among customers of Conventional Bank and Islamic Bank.

The findings revealed that there are a significant differences of customer perception towards the both bank's service quality on three dimensions which are compliance, reliability and empathy. As earlier stated in the findings, Islamic bank customers had a different perception on the compliance dimension compared to conventional bank. This is because most of the Bank Islam Malaysia Berhad customers are Muslim. Muslim prefers to deal with Bank Islam because the bank runs its business activities based on Islam principles and halal concept. On the other hand, compliance is not an important factor for conventional bank's customers. The findings also reveal that the conventional bank's customer's value reliability and empathy factors more important compared to the Islamic bank's customers. Since there are differences in the perception of service quality, the hypothesis is accepted.

Recommendation for future research

This research used the SERVQUAL dimension to analyze the comparison of customer perception of service quality between conventional and Islamic banking. The future research can use the other five dimensions in SERVQUAL instruments to analyze the customer satisfaction towards both banks. Apart from that, moderating/mediating effects of certain variables like religiosity and attitude could be explored in future studies. This study focuses on customers in Sungai Petani, Kedah. Future research can expand the scope of study to cover the entire state of Kedah or Malaysia so that the findings are more generalize. Besides, the respondents also should come from various Islamic and conventional banks operated in Malaysia and not limited to Bank Islam and Maybank.

Conclusion

The result of the present study showed that all the independent variables used in the study have positive relationships with the customers' perception on the service quality on both Islamic and conventional bank. However, there are significant differences in customers' perception of service quality among the conventional and Islamic bank on three dimensions which are compliance, reliability and empathy. Islamic bank customers perceived compliance as the most important dimension when assessing the service quality while conventional bank customers treat compliance as the least important factor. No significant perception's differences found on tangible, responsiveness and assurance dimensions.

References

Amin, M., Isa, Z. (2008). An examination of the relationship between service quality perception and customer satisfaction. A SEM approach towards Malaysian Islamic banking. *International Journal of Islamic and Middle East Finance and*

Management, Vol.1 No.3, pp. 191-209.

- Augustine, M. and Ho, S.K. (1998), "Service quality and tourism", *Journal of Travel Research*, Vol. 37 No. 1, pp. 71-6.
- Arasly, H., Katircioglu, S.T. and Mehtap-Smadi, S. (2005a), "A comparison of service quality in the banking industry", *International Journal of Bank Marketing*, Vol. 23 No. 7, pp. 508-26.
- Bennett, D. and Higgins, M. (1993), "Quality means more than smiles", *ABA Banking Journal*, June, p. 46.
- Bitner, M.J. (1990), "Evaluating service encounters: the effects of physical surroundings and employees responses", *Journal of Marketing*, Vol. 54 No. 2, pp. 69-82.
- Bitner (1990), "Evaluation service encounters: the effects of physical surroundings and complaint reports", *Journal of Marketing*, Vol. 54 No. 4, pp. 69-82.
- Bitner, M.J. and Hubber, A.R. (1994), "Encounter satisfaction versus overall satisfaction versus quality", in Rust, R.T. and Oliver, R.L. (Eds), *Service Quality: New Directions in Theory and Practice*, Sage, Thousand Oaks, CA, pp. 72-94.
- Bolton, R.N. and Drew, J.H. (1994), "Linking customer satisfaction to service operations and outcomes", in Rust, R.T. and Oliver, R.L. (Eds), *Service Quality: New Directions in Theory and Practice*, Sage, Thousand Oaks, CA, pp. 173-200.
- Bowen, J.W. and Hedges, R.B. (1993), "Increasing service quality in retail banking", *Journal of Retail Banking*, Vol. 15, pp. 21-8.
- Chaoprasert, C. and Elsey, B. (2004), "Service quality improvement in Thai retail banking and its management implications", *ABAC Journal*, Vol. 24 No. 1, pp. 47-66.
- Clutterbuck, D. (1989), "Developing customer care training programs", *Marketing Intelligence & Planning*, Vol. 7 Nos 1/2, pp. 34-7.
- Cowling, A. and Newman, K. (1995), "Banking on people", *Personnel Review*, Vol. 24 No. 7, pp. 25-41.

- Dabholkar, P., Thorpe, D.I. and Rentz, J.Q. (1996), "A measure of service quality for retail stores", *Journal of the Academy of Marketing Science*, Vol. 24, pp. 3-16.
- Danaher, P.J. (1997), "Using conjoint analysis to determine the relative importance of service attributes measured in customer satisfaction surveys", *Journal of Retailing*, Vol. 73 No. 2, pp. 235-60.
- Davies, F., Moutinho, L. and Curry, B. (1995), "Construction and testing of a knowledge-based system in retail bank marketing", *International Journal of Bank Marketing*, Vol. 13 No. 2, pp. 4-14.
- Dusuki, A.W. and Abdullah, N.I. (2007), "Why do Malaysian customers patronize Islamic banks?", *International Journal of Bank Marketing*, Vol. 25 No. 3, pp. 142-60.
- East, R. (1997), *Consumer Behavior: Advances and Applications in Marketing*, Prentice-Hall, London.
- File, K.M. and Prince, R.A. (1992), "Positive word of mouth: customer satisfaction and buyer behavior", *International Journal of Bank Marketing*, Vol. 10 No. 1, pp. 25-9.
- Headley, D.E. and Miller, S.J. (1993), "Measuring service quality and its relationship to future consumer behavior", *Journal of Health Care Marketing*, Vol. 13 No. 4, pp. 32-41.
- Hossain, M., & Leo, S. (2009). Customer perception on service quality in retail banking in Middle East: the case of Qatar. *International Journal of Islamic and Middle Eastern Finance and Management*, Vol. 2 No.4, pp.338-350.
- Iqbal, M. and Molyneux, K. (2005), *Thirty Years of Islamic Banking: History, Performance and Practice*, Wiley, Chichester.
- ‘Ismah, O., Husniyati, A., Anizah, A., Wan Edura, W.R., Kamaruzaman, J. (2009). Customers Satisfaction in Malaysian Islamic Banking. *International Journal of Economic and Finance*, Vol.1 No 1, pp.197-202.
- Izah, M.T., Abu Bakar, N. M., Wan Ismail, W.Z. (2008). Customer Expectations and Perceptions of Service Quality in Islamic Banking: Evidence from Malaysia. *Journal of Islamic Economics, Banking and Finance*.
- Jayaraman, M., Shanker, C. & Mun, H.W. (2010). Service Quality Delivery and Its Impact on Customer Satisfaction in Banking Sector in Malaysia.

International Journal of Innovation, Management and Technology.

- Jones, P. and Lockwood, A. (1989), *The Management of Hotel Operations*, Cassell Education Limited, London.
- Karatepe, O., Yavas, U. and Babakus, E. (2005), "Measuring service quality of banks: scale development and validation", *Journal of Retailing and Consumer Services*, Vol. 12 No. 5, pp. 373-83.
- Lassar, W.M., Manolis, C. and Winsor, R.D. (2000), "Service quality perspective and satisfaction in private banking", *International Journal of Bank Marketing*, Vol. 18 No. 4, pp. 181-99.
- Levesque, T. and McDougall, G.H.G. (1996), "Determinants of customer satisfaction in retail banking", *International Journal of Bank Marketing*, Vol. 14 No. 7, pp. 12-20.
- Liswood, L.A. (1989), "A new system for rating service quality", *Journal of Business Strategy*, July-August, pp. 42-5.
- Lock, L.H. (1987), *Central Banking in Malaysia*, Butterworth & Co (Asia) Pvt Ltd, Singapore.
- Magi, A. and Julander, C.R. (1996), "Perceived service quality and customer satisfaction in a store performance framework", *Journal of Retailing and Consumer Services*, Vol. 3 No. 1, pp. 33-41.
- Manshor Amat Taap, Chong, S. C. Kumar, M., and Fong, T.K. (2011). "Measuring service quality of conventional and islamic banks: a comparative analysis", *International Journal of Quality & Reliability Management*, Vol.28 No. 8, pp. 822-840.
- Mohd Rizal, A.R., Chong, S.C. and Lin, B. (2007), "Service quality of a local Malaysian bank: customers' expectations, perceptions, satisfaction and loyalty", *International Journal of Services and Standards*, Vol. 3 No. 1, pp. 18-38.
- Sheikh, M. A., Taseen, U., Haider, S. A. and Naeem, M. (2010). "Islamic Vs Conventional Banks in Pakistan", *The Journal of Educational Research*, Vol.2 No. 2.
- Nelson, N.O., & Chan, K.W. (2005), " Factorial and discriminant analysis of the underpinnings of relationship marketing and customer satisfaction", *The*

International Journal of Bank Marketing, 23 (7), 542-557.

- Othman, A. and Owen, L. (2001), "Adopting and measuring customer service quality (SQ) in Islamic banks: a case study in Kuwait Finance House", International Journal of Islamic Financial Services, Vol. 3 No. 1, pp. 1-26.
- Othman, A. and Owen, L. (2002), "The multi dimensionality of CARTER model to measure customer service quality in Islamic banking industry: a study in Kuwait Finance House", International Journal of Islamic Financial Services, Vol. 3 No. 4, pp. 1-12.
- Parasuraman, A., Zeithaml, V.A. and Berry, L.L. (1988), "SERVQUAL: a multiple-item scale for measuring consumer perceptions of service quality", Journal of Retailing, Vol. 64, pp. 12-40.
- Reichheld, F.F. and Kenny, D. (1990), "The hidden advantages of customer retention", Journal of Retail Banking, Vol. 12 No. 4, pp. 19-23.
- Richens, M.L. (1983), "Negative word of mouth by dissatisfied consumers: a pilot study", Journal of Marketing, Vol. 47, pp. 69-78.
- Schneider, B., White, S.S. and Paul, M.C. (1998), "Linking service climate and customer perceptions of service quality: test of a causal model", Journal of Applied Psychology, Vol. 83 No. 2, pp. 150-63.
- Siddiqui, N. (1992), Banking Without Interest, Markazi Maktaba Islami, New Delhi.
- Spechler, J. (1989), "Training for service quality", Training & Development Journal, Vol. 43 No. 5, pp. 20-6.
- Stafford, M.R. (1996), "Demographic discriminators of service quality in the banking industry", The Journal of Services Marketing, Vol. 10 No. 4, pp. 6-22.
- Uller, F. (1989), "Follow-up surveys assess customer satisfaction", Marketing News, Vol. 23, pp. 14-16.
- Wong, S.M. and Perry, C. (1991), "Customer service strategies in financial retailing", The International Journal of Bank Marketing, Vol. 9 No. 3, pp. 11-16.
- Yavas, U. and Yasin, M.M. (2001), "Enhancing organizational performance in banks: a systematic approach", Journal of Services Marketing, Vol. 15 No. 6, pp. 444-53.

- Zeithaml, V.A., Parasuraman, A. and Berry, L.L. (1990), *Delivering Quality Service: Balancing Customer Perceptions and Expectations*, The Free Press, New York, NY.
- Zeithaml, V.A. and Bitner, M.J. (1996), *Services Marketing*, McGraw-Hill, New York, NY.
- Zeithaml, V.A., Berry, L.L. and Parasuraman, A. (1996), "The behavioral consequences of service quality", *Journal of Marketing*, Vol. 60 No. 2, pp. 31-47.

