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The Role of Satisfaction as a Mediator on The Relationships Between Usage Intention and Word of Mouth of Islamic Bank Products and Their Determinants

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ABSTRACT

Islamic banks have to become customer centric, if they have to remain competitive in the banking system. The banks need to understand factors that influence word of mouth and customer usage intentions towards their products. Studies that has been conducted to investigate customer word of mouth and usage intentions toward Islamic banking products are limited, and therefore this research is conducted to fulfill the gap. Data were collected from 245 respondents using structured questionnaire and were analysed for descriptive statistics using SPSS. Hypotheses testing were conducted through the use of Partial Least Squares (PLS). Findings of the study showed perceived value significantly influenced satisfaction, word of mouth and customer usage intentions toward Islamic Banking products. However, reputation only significantly influenced satisfaction and word of mouth toward Islamic Banking products. In addition, satisfaction was found to significantly mediate the relationships between reputation and word of mouth, and between perceived value and word of mouth. The information from this study is crucial to Islamic bank managers as it will assist them to develop strategies to attract more customers to use Islamic Banking products, without neglecting word of mouth. In the future, more variables should be considered in determining the customer usage intentions towards Islamic banking products.

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1. Introduction

The Islamic banking industry, which is part of the banking sector has played a significant role in the development of a nation's economy. In Malaysia, the Islamic banking started with the establishment of Tabung Haji (the Pilgrims' Management and Fund Board) by the government in 1963. Since then, a coordinated and systematic process had been introduced by the Malaysian government to implement the Islamic financial system. Undeniably, the Islamic banks have developed and contributed significantly to the growth of Malaysian financial market (Dusuki and Abdullah, 2007). Globally, Islamic banking has been admired by both developed and developing nations, Muslim and non-Muslim countries (Muhammad Gumel and Othman, 2013). While Islamic banks offer more or less similar products and services to those offered by a conventional bank and perform similar functions of the conventional banks, the Islamic banks follow the Shariah principles. These principles consisting of riba prohibition, prohibition of immoral industries investing excessive uncertainty (gharar), speculation, as well as risk and return sharing have been set to be the pillars in Islamic banking (Hayat and Kraeussl, 2011). Now the Islamic banking system is not limited to Islamic Banks only. A large number of multinational banks like Citibank had opened branches in countries like Qatar and Malaysia to operate in accordance with Islamic Shariah principles. As a result, Islamic banks operating in Islamic countries are faced with strong competition not only from Islamic banks but also from non-Islamic rivals.

Even though the Islamic banking industry has been growing at an average rate of 18 percent per year since 2000 in terms of assets, its assets still lag behind the assets generated by the conventional banks. As of November 2016, the Islamic banking assets constitute 27 per cent of Malaysia's total banking system (http://www.themalaymailonline.com, Nov, 21, 2016). In order to remain competitive in the market, the Islamic banks have to identify strategies that can increase their market share. According to Taghizadeh, Taghipourian & Khazaei (2013) positive behavioral intention is a key component for an organization's long-term viability and sustainability. However, review of literature reveals there is lack of studies on Islamic Banking that is able to explain the Islamic banking related customer behavior. Most of the studies are mostly concerned with explaining the customer satisfaction. There is a need to go beyond customer satisfaction. The intense competition in any industry and, presently, in the banking industry, there is a need to innovate. The innovation can come only by looking at the customer side in totality i.e. customer behavior, customer needs, customer motivation, customer satisfaction, customer loyalty. Therefore, one of the most important variables that is crucial in the banking industry is usage intention. The intention is being psychological and is difficult to measure and then it is not necessary that intentions result in purchases. But it is definite that if a purchase has resulted, it automatic implies intention to purchase. According to Taghizadeh, Taghipourian & Khazaei, 2013), if an organization is able to identify and strategize what generate positive behavioral intentions, then those will be important factors to sustainability and growth. Thus, this study examines the influence of bank reputation, perceived value, and satisfaction on usage intentions and word-of-mouth of Islamic banking products in Malaysia. In addition, this study aims to help managers and researchers to better understand factors that influence customers' usage intentions.

2. Literature Review and Hypotheses Development

2.1 Usage Intentions

Usage/purchase intent refers to a consumer's intention to purchase/use a product, or to patronize a service firm (Lin & Chen, 2009). Purchase intentions represent what the customers think and what they will buy. According to Ajzen (1991) when a customer has the stronger intention to engage in the behaviour, they will more likely to perform the behavior. Research in marketing has widely discussed customer usage intention because it functions as a dimension of behavioral intention (Zeithaml et al., 1996) and is predictive of actual purchase behavior (Ajzen and Fishbein, 1980).

2.2 Word of Mouth

Word-of-mouth (WOM) is the informal communication about the products and services among the people (Silverman, 2001). Sen and Lerman (2007) described WOM as an idea of person-to-person conversation between consumers about a product. It is a powerful persuasive force of communication, particularly in the dissemination of information about new products (Dean & Lang, 2008). WOM is especially important for services that are largely intangible and experience or credence based, in which customers rely heavily on the advice from experienced customers (Taghizadeh, Taghipourian & Khazaei, 2013). The strong influence of WOM on customer's choice through positive WOM among customers has given companies a good opportunity to increase their market share (Casalo, Flaviàn & Guinalíu, 2008). WOM is more powerful than printed information due to the fact that more credible, relevant, and timely.

2.3 Satisfaction

There are two approaches to understanding the concept of satisfaction, cognitive and affective approach. Meng and Elliott (2009) explain that cognitive approaches are based on evaluating consumer experience, while the affective approach bases on the emotions of customers (Zins, 2001). Due to the fierce competition in the banking industry, satisfaction has become the focus of many researcher in this industry (Hassan, 2015). In the banking industry, satisfaction refers to how satisfied the customers are with the product or service they receive from a particular banks (Ramachandhiran & Arokiamary, 2018).

2.4 Reputation

The importance of corporate reputation as one of intangible assets has grown rapidly within the last two decades (Pool, Pool, & Taghipourian, 2016). Fombrun (1996) defines corporate reputation as the perceptual representation of an organization in the minds of its key stakeholders. Corporate reputation has been identified by Kandapully and Hu (2007) as one of the critical factor in an overall evaluation of an organization. According to Gotsi and Wilson (2001), the evaluation is based on the stakeholder's direct experiences and communication with the organization that provides information about the firm's actions and/or a comparison with the actions of its competitors. Firms with higher reputation has been found to have lower transaction costs and greater satisfaction of key stakeholders with customers (Walsh & Beatty, 2007).

2.5 Perceived value

Customer value is an important concept in marketing and is an effective medium to understand customers (Morar, 2013) Zethaml (1988) defined perceived value as a construct configured by two parts, one of benefits received (economic, social and relational) and another of sacrifices made (price, time, effort, risk and convenience) by the customer. On the other hand, Sweeney and Soutar (2001) conceptualized perceived value is a multidimensional construct consists of functional character and emotional/affective character. This study follows the definitions based on Sweeney and Soutar (2001). Value is experimental and subjective in nature also it is also linked with other tangible. After using the product and service and getting the desired satisfaction then customer should define the value (Vandermerwe, 2003).

2.6 Research Framework

Figure 1 shows the conceptual framework of this study. Reputation and perceived value will influence customer satisfaction, and satisfaction will influence usage intentions and word-of-mouth towards Islamic banking products. The higher the firms' reputation and the value of products and services as perceived by the customer, the greater the usage intentions and there will be positive word-of-mouth. This implies that having a good reputation will make the customers satisfied, and this satisfaction in turn positively affect the usage intentions and word of mouth. Likewise, the higher the value of the products and services as perceived by the customers will enhance customer satisfaction and will positively affect usage intentions and word-of mouth.

Because reputation shapes customers' expectations before they patronize a business (a good reputation suggests that the customer will expect the firm's products/services to be of high quality which is a direct antecedent to customer satisfaction (Loureiro and Kastenholz, 2011)(Kuo, Chang, Cheng, & Lai, 2013). Examining the causality between corporate reputation and customer satisfaction (Helm, Garnefeld, & Tolsdorf, 2009) have implied that a high-quality offering is one important cornerstone of reputation management because it is a prerequisite for generating customer satisfaction (Kuo et al., 2013)Walsh & Beatty (2007) found strongly significant association between corporate reputation and customer satisfaction in the context of Germany. Many research were conducted on the impact of value towards customer satisfaction and behavioural intention (Cha & Borchgrevink, 2018; Rasoolimanesh, Dahalan, & Jaafar, 2016). The value perception was found to enhance their buying interest and to decrease their intention to look for alternatives. Customer satisfaction is important because satisfied customers are less likely to switch to a competitor (Rizan, Warokka, & Dewi, 2014). In addition, most of the earlier studies present the direct relationship between customer satisfaction and behavioural intention (Bhatti, Abareshi, & Pittayachawan, 2017; Shukla, 2010)

2.7 Customer Satisfaction as A Mediator

Outcome of a few studies have shown positive relationships between perceived value, customer satisfaction and customer loyalty. For example, (Yang & Patterson, 2004) found that perceived value influenced customer satisfaction and that customer satisfaction improved customer loyalty. Similarly, other studies (Cronin, Brady, & Hult, 2000; Keshavarz & Jamshidi, 2018) found that perceived value was a predictor of customer satisfaction, and ultimately, customer satisfaction led to customer loyalty. In addition, Keisidou, Sarigiannidis, Maditinos, & Thalassinos, (2013) found that satisfaction is a mediator in the relationship between reputation and customer loyalty. Similarly, one researcher Helm, Eggert & Garnefeld (2010) declared corporate reputation predicts customer satisfaction and customer loyalty. Based on all the discussions, these hypotheses were developed:

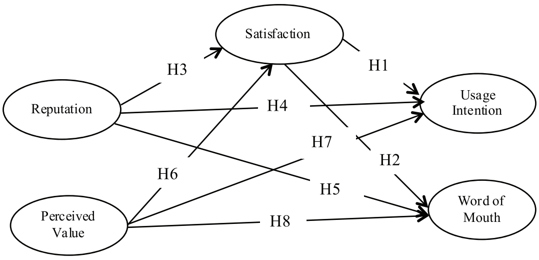

Figure 1 Proposed Research Model

This research framework translates into following 10 hypotheses:

H1: Satisfaction has a positive impact on usage intentions.
H2: Satisfaction ha a positive impact on word of mouth.
H3: Reputation has a positive impact on satisfaction
H4: Reputation has a positive impact on usage intentions
H5: Reputation has a positive impact on word of mouth
H6: Perceived value has a positive impact on satisfaction
H7: Perceived value has a positive impact on usage intentions
H8: Perceived value has a positive impact on word of mouth
H9: Satisfaction has a mediating impact on the relationship between reputation and usage intentions.
H10: Satisfaction has a mediating impact on the relationship between reputation and word of mouth
H11: Satisfaction has a mediating impact on the relationship between perceived value and usage intentions
H12: Satisfaction has a mediating impact on the relationship between perceived value and word-of-mouth.

3. Estimation Method

This research employed quantitative survey method using stratified random sampling technique. Data were collected from both primary and secondary sources. The primary data were collected through a structured questionnaire consist of Sections A and B. The questions in Section A were about the demographic information of respondents such as occupation, income, education level, gender, religious, age, ethnicity and experience on Islamic banking products. In Section B, the research instrument or questionnaire were adapted the scales from established measures in the literature with a 5 point Likert scale from 245 respondents who are the existing customers with have at least one account in any Islamic banks. The respondent’s choice using this Likert scale had a range from “disagree, Strongly” (1) to “agree, strongly” (7). Items on reputation scale consisting of 5 questions was adapted from Usman (2015). The Satisfaction scale, with 5 items was adapted from Kashif, Shukran, Rehman, & Sarifuddin (2015). The scale on Perceived Value contained 5 items and was adapted from Suryani (2015). The dependent variable, Usage Intentions had a scale consisting of 4 items and was adapted from Amin, Rahman, Sondoh & Hwa (2011). Lastly, the scale for the mediating variable WOM had 4 items adapted from Kashif et al. (2015) First, 12 bank branches were selected randomly located in the capitals of three states in the northern part of Peninsular Malaysia. The samples were taken from two strata of banks – local Islamic banks, Islamic subsidiary banks. The questionnaires were distributed to the 360 prospective respondents entering the selected bank branches in three big cities George Town in the state of Penang, Alor Setar in the state of Kedah and Kangar in the state of Perlis. Only 245 usable questionnaires were returned, resulting in 68.05% response rate. The secondary data were collected from academic journals, and current and available information from customers of Islamic banks. Collected data were computed and analyzed for descriptive statistics using Statistical Package for Social Sciences software. Partial Least Squares (PLS), using SmartPLS 3 was used to investigate factors that contributed to the usage intention and word of mouth (WOM) toward Islamic banking products.

4. Results and Discussion

4.1 Respondents' Profile and Reliability

The majority of the respondents were female at 75.4 % while male were only 24.6%. The respondents below 40 years of age were 73% and above 40 was 27%. Majority of the respondents were Malay and Muslim at 94.3 %. Of the sample, 56.9 % had tertiary education and 43.1 % had a secondary education. The majority of the respondents were government servant 46 %, while those employed private sectors represented only 11%. All the respondents had more than one Islamic banking product.

4.2 Confirmatory Factor Analysis

This study employs Partial Least Squares approach to test the research hypotheses. The questionnaire results were assessed in light of the information obtained from the literature, and the statistical analyses were realized by using SPSS 20.0 and SmartPLS 3 software packages. A two-step approach, such as that recommended by Anderson and Gerbing (1988), is employed here. First, the reliability and validity of the constructs for the measurement model were assessed by using CFA. The purpose of conducting the measurement model is to assess and verify that the indicators and scale items used for each construct are both reliable and valid (Sagib & Zapan, 2014) The second stage included casual paths, so the structural parameters were examined to empirically test the research hypotheses (Sayil, Akyol, & Golbasi Simsek, 2018).

4.3.1 Measurement model

The constructs used in this study were evaluated in terms of reliability and validity. Reliability was assessed with the use of the Cronbach alpha and composite reliability indicators. The items were then assessed for the convergent validity. The convergent validity indicates the extent to which the items of a scale that are theoretically related and should correlate highly and is assessed by the magnitude and significance of the factor loadings of each indicator of the latent factors (Anderson & Gerbing, 1988; Sayil et al., 2018). To demonstrate convergent validity, it is recommended that factor loadings be significant and exceed the threshold values of 0.70 (Hair, Hult, Ringle, & Sarstedt, 2014). Based on Table 1, factor loadings exceed the threshold values of 0.70. The values of Cronbach's Alpha (α) as well as the composite reliabilities (CR) were examined to determine internal consistency. The Cronbach Alpha and composite reliability ranged from 0.865 to 0.938 and from 0.903 to 0.956, respectively. Both Alpha and CR achieved the threshold value of 0.7 reflecting reliability (Hair Joseph. Jr F, M.Hult, M.Ringle, & Sarstedt, 2014)(Hair Joseph. Jr F, M.Hult, M.Ringle, & Sarstedt, 2014)(Hair Joseph. Jr F, M.Hult, M.Ringle, & Sarstedt, 2014)(Hair, Hult, Ringle, & Sarstedt, 2014). For each construct, the average variance extracted (AVE) ranged from 0.508 to 0.844 and therefore exceeded the threshold 0.5 ensuring convergent validity (Hair, Hult, Ringle, & Sarstedt, 2014).

Table 1: Results of Convergent Validity

Constructs	Items	Loadings	Cronbach Alpha (α)	Composite Reliability (CR)[a]	Average Variance Extracted (AVE)[b]
Perceived Value	PV1	0.723	0.865	0.903	0.652
	PV2	0.826			
	PV3	0.882			
	PV4	0.859			
	PV5	0.733			
Reputation	RP1	0.877	0.907	0.931	0.729
	RP2	0.873			
	RP3	0.836			
	RP4	0.867			
	RP5	0.814			
Satisfaction	SP1	0.863	0.913	0.939	0.794
	SP2	0.916			
	SP3	0.936			
	SP4	0.846			
Usage Intentions	UI1	0.932	0.938	0.956	0.844
	UI2	0.951			
	UI3	0.953			
	UI4	0.834			
Word of Mouth	WM1	0.798	0.888	0.923	0.75
	WM2	0.881			
	WM3	0.897			
	WM4	0.885			

The discriminant validity was examined through Fornell & Larcker (1981) criterion as shown in Table 2. Table 2 shows the square root of the AVE score shown in bold is higher than the latent variable correlations. Therefore, the result show support for discriminant validity.

	Perceived value	Reputation	Usage intention	WOM	Satisfaction
Perceived value	**0.807**				
Reputation	0.675	**0.854**			
Usage intention	0.572	0.495	**0.919**		
WOM	0.687	0.714	0.595	**0.866**	
Satisfaction	0.643	0.764	0.527	0.724	**0.891**

Diagonals (in bold) represent the square root of average variance extracted while the other entries represent the correlations

4.3.2 Structural Model

After assessing the measurement model, the next step is to evaluate the structural model using the bootstrapping procedure. The purpose of assessing the structural model was to test the research hypotheses. The results from the structural model in Table 3 indicated that satisfaction exhibited a strong positive influence on WOM ($\beta = 0.238$, t-value = 2.755, $p<0.05$). In addition, reputation also exhibited a positive influence on satisfaction ($\beta = 0.591$, t-value = 7.672, $p<0.05$), and

---

[a] Composite reliability (CR) = (square of the summation of the factor loadings)/{(square of the summation of the factor loadings) + (square of the summation of the error variances)}.

[b] Average variance extracted (AVE) = (summation of the square of the factor loadings)/{(summation of the square of the factor loadings) + (summation of the error variances)}

WOM with (β = 0.320, t-value = 3.565, p<0.05), respectively. Perceived value was also found to have a positive influence on satisfaction with β = 0.041, t-value = 0.405 at p<0.05, usage intentions (β = 0.041, t-value = 0.405 at p<0.05) and WOM (β = 0.041, t-value = 0.405 at p<0.05). Except for H1 and H4, all other hypotheses (e.g. H2, H3, H5, H6, H7, and,H8) were supported

Table 3 Results of Structural Model

Hypothesis	**Relationships**	**Standard Beta**	**Standard Error**	**t-value**	**Decision**
H1	Satisfaction -> Usage Intentions	0.174	0.120	1.447	Not supported
H2	Satisfaction -> WOM	0.238	0.086	2.755	Supported*
H3	Reputation -> Satisfaction	0.591	0.077	7.672	Supported*
H4	Reputation -> Usage Intentions	0.100	0.123	0.813	Not supported
H5	Reputation -> WOM	0.320	0.090	3.565	Supported*
H6	Perceived Value -> Satisfaction	0.325	0.082	3.966	Supported*
H7	Perceived Value -> Usage Intentions	0.378	0.101	3.733	Supported*
H8	Perceived Value -> WOM	0.297	0.070	4.234	Supported*

*p<0.05

4.3.3 Test of Mediating Effect

The procedure to test the mediating effect of satisfaction on the linkages between its determinants (e.g. reputation and perceived value) and usage intention and word-of-mouth followed the steps recommended by a past study (Preacher and Hayes, 2004). To start with, without the interaction of a mediator (e.g. satisfaction) the path model was estimated. The results both revealed that both direct paths are statistically significant and therefore, it is meaningful to include satisfaction as the mediator. Table 4 shows the direct effects of both independent variables (e.g. reputation and perceived value) and dependent variables (e.g. usage intentions and word of mouth), respectively.

Table 4 Direct effects

Relationship	**Std Beta**	**Standard Error**	**t value**	**Decision**
Reputation -> Usage Intention	0.530	0.063	8.430	Supported*
Reputation -> WOM	0.718	0.038	19.029	Supported*
Perceived Value -> Usage Intention	0.578	0.066	8.692	Supported*
Perceived Value -> WOM	0.689	0.042	16.337	Supported*

*p < 0.05

The indirect paths should be significant in order to verify satisfaction to mediate the linkages between reputation and perceived value and usage intentions and reputation and perceived value on word-of-mouth, respectively. To confirm the significance of these indirect paths, the sample table from bootstrapping was copied and pasted into MS Excel. From here, the standard errors were calculated in order to obtain the t values of the indirect paths. Using the bootstrapping procedure, an estimation of the indirect effects, standard errors, and both the bootstrap confidence interval at 95% confidence level was done. In order to test the mediating effects, Hair, Hult, Ringle, & Sarstedt (2014) that each individual path to be significant. Based on Table 5, the bootstrap estimations of the indirect effect lies between- 0.052 and 0.284 for H9, and between 0.025 and 0.256 for H10. For H11 and H12, the bootstrap estimations of the indirect effect lie between -0.028 and 0.141, and 0.005 and 0.141, respectively. It can be concluded that the indirect effects are significantly different from zero at p<0.05 since zero is not in the 95% confidence intervals (Preacher & Hayes, 2004). Thus, hypotheses H10 and H12 are supported, in which satisfaction mediates the relationships between reputation and WOM, and between perceived value and WOM.

Table 5 Results of Mediating Test

						Bootstrap Confidence Interval	
Hypothesis	**Path a**	**Path b**	**Indirect Effect**	**SE**	**t-value**	**95% LL**	**95% UL**
H9	0.591	0.174	0.103	0.079	1.302	-0.052	0.258
H10	0.591	0.238	0.141	0.059	2.384	0.025	0.256
H11	0.325	0.174	0.057	0.043	1.315	-0.028	0.141
H12	0.325	0.238	0.077	0.037	2.091	0.005	0.150

Finally, it is important to find out the strength of the mediation effects. As suggested by Hair et al. (2014), the strength of mediation is estimated via variance accounted for (VAF). VAF is assessed by dividing the indirect effect with total effects and multiplying it by 100. Based on the findings, 30.65 % of the effect of reputation on WOM, and 21% of the effect perceived value on WOM are explained via satisfaction, respectively. Since the values of VAF are between 20% and 80%, customer satisfaction partially mediates the relationship between reputation and WOM and also perceived value and WOM.

5. Conclusion

Based on the above findings, we would like to suggest the following marketing implications to the Islamic bank managers. Results of the research showed that reputation influenced word of mouth (WOM) through satisfaction. By improving the bank reputation, customer satisfaction can be enhanced and there will be positive WOM from the customers. Perceive value also influence WOM through satisfaction. By improving their products and services, customer value will increase and will contribute to the customers' satisfaction and create positive WOM toward the Islamic banking products. In addition, positive WOM can be communicated by the customers on the bank's operations when they perceived the bank's services to be excellent. In conclusion, it is important for the Islamic banks to enhanced customer satisfaction by improving banks' reputation and their products and services so that positive word of mouth can be communicated by the customers.

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