Correlation of Customer Satisfaction with Customer Fidelity and Intents to Shift: Comparative Analysis of Islamic and Conventional Banks in Sukkur.

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ABSTRACT: *Customer satisfaction plays important role in the selection of a bank whether Islamic or Conventional. The higher levels of satisfaction lead the customers towards increased levels of fidelity, and reduces the chances of shifting to another bank. Which indicates that customer satisfaction is positively correlated with customer fidelity and negatively correlated with intents to shift? The survey of 100 customers from both conventional and Islamic banks proved the same.*

Key Words: Customer Satisfaction, Customer Fidelity, Intents to Shift, Consumer Behavior, Islamic Banking, Conventional Banking, Sukkur, Pakistan.

INTRODUCTION

Customer comes first so its satisfaction. This is the one of mostly followed philosophies of modern day marketers. All successful organizations around the globe have knowledge about the impact of their customers' satisfaction on their performance. By realizing the importance of customer satisfaction as major driver of success, the financial institutions of today are focusing on customer satisfaction, loyalty, attitudes, intentions, actions, etc., (Zairi, 2000).

The banks generally perform multiple functions and target their different financial products to different segments of society. The fundamental difference between conventional banks and Islamic banks is that former follow the rules generally defined by the people and later are to run by following the Islamic Law (*Sharia*). The main difference is the prohibition of Interest (*Riba*) in Islamic banks is mandatory. No giving and taking of Interest is allowed in any form in any transaction according to Islamic law so is prohibited in Islamic Banking (El-gamal, 2000; Hassan, Chachi, & Latiff, 2008).

There is high growth potential for Islamic Banks in Pakistan where untapped market of 179 million people with 96% Muslims exist (PBS, 2014). Islamic banks are relatively new in Pakistani market and possess less market share than conventional banks. Meezan Islamic Bank is the first Islamic Bank in Pakistan which started its operations in 2002. And Islamic Banks has increased their share manifold to 10% in the Banking Industry in 2013 (SBP, 2014). There are five Islamic Banks and 14 banks have separate branches for Islamic Banking (see Table I).

Table I: Islamic Banks and Conventional Banks having Islamic Banking Branches (as on December 31, 2013).

	Islamic Banks		Conventional Banks having Islamic Banking Branches (Cont.)
1	AlBaraka Bank (Pakistan) Ltd.	5	Habib Bank Ltd
2	BankIslami Pakistan Ltd.	6	Habib Metropolitan Bank
3	Burj Bank Ltd.	7	MCB Bank Ltd
4	Dubai Islamic Bank Pakistan Ltd	8	National Bank of Pakistan
5	Meezan Bank Ltd	9	Soneri Bank Ltd
	Conventional Banks having Islamic Banking Branches	10	Standard Chartered Bank
1	Askari Bank Ltd.	11	The Bank of Khyber
2	Bank Al Habib Ltd	12	The Bank of Punjab
3	Bank Alfalah Ltd	13	United Bank Ltd.
4	Faysal Bank Ltd.	14	Silk Bank Ltd

Source: SBP Economic Indicators (http://www.sbp.org.pk/ecodata/fsi.asp)

This paper study the existence of positive or negative correlation between customer satisfaction and customer fidelity. And explore the presence of positive or negative correlation between customer satisfaction and Intents of customer to shift from current bank to another bank. And the study compares the results of Islamic Banks and Conventional Banks.

LITERATURE REVIEW

The research by (M. S. Khan, 1986) indicated that Islamic Banks are superior in terms of stabilizing the financial system. Empirical results of (Darrat, 1988) verified that Islamic Banking sector has supported financial sector in Tunisia by their excellent performance. The look on current financial soundness indicators of Islamic Banks has revealed mixed results. The SBP data (see Table II) shows that the Islamic Banks has performed well on non-performing loans but less on returns and deposit utilization.

Customer satisfaction is the biggest factor which increases customer loyalty. The higher satisfaction levels compel customers to re-arrive at the same store, shop or bank. But when customers had built a relationship with an organization then if organization fails to deliver the due customer satisfaction then comes the uprising of customers' intents to shift (Hawkins & Mothersbaugh, 2010; Kardes, Cronley, & Cline, 2011). The increasing competitions require more long lasting efforts then to just satisfy a customer.

Table II: Financial Soundness Indicators Banking System (in percent).

Financial Ratio	Islamic Banks (IB)	All Banks (including IB)
Capital to Total Assets	6.9	8.9
NPFs to Total Financing	5.7	13.0
Net NPFs to Net Financing	1.5	3.1
ROA before Tax	1.0	1.7
ROE before Tax	14.4	18.4
Financing to Deposits	36.3	48.6

Source: SBP Economic Indicators (http://www.sbp.org.pk/ecodata/fsi.asp)

A study investigated the effect of service quality upon customer satisfaction among Islamic and Conventional banks in Pakistan (Ahmad, Kashif-ur-Rehman, & Saif, 2010). They found strong positive correlation between service quality and customer satisfaction. In comparison they found stronger correlations for Islamic Banks. But they did not tried to measure the effect of customer satisfaction on loyalty and intents to leave.

(Haque, Osman, & Ismail, 2009) has studied the factors that effected on Islamic bank selection. They found significant existence of relationship of quality and availability and religious views on Islamic bank selection. The exploratory work of (Karim & Affif, 2006) has segmented the Islamic bank customer based on level of Sharia loyal, floating and conventional oriented customers (as one dimension) and convenience oriented vs. service oriented (as second dimension).

The research by (M. S. N. Khan, Hassan, & Shahid, 2007) has explored many dimensions of customer behavior towards Islamic banking. For further discussions, one may refer to (Gait & Worthington, 2007) for an extensive review of literature on attitudes towards Islamic finance.

The correlation between customer satisfaction and customer fidelity was found positive and with intents to shift was found negative during a study of conventional banks in Pakistan (Mohsan, Nawaz, Khan, Shoukat, & Aslam, 2011). The data of their 120 respondents' showed a significant existence of correlations at 1% level. We extended their model for Islamic as well as conventional banks (see Figure 1).

Based on literature we can hypothesize that service quality and products are strongly correlated with customer satisfaction in banks. And the result of higher customer satisfaction gives the reward of loyalty and even more customer attraction. But when banks start to deliver lesser to today's value-conscious customers, intentions to shift increase. Following hypothesis are derived from literature:

H1:   There is positive and significant existence of correlation between customer satisfaction and customer fidelity in Islamic Bank customers.

H2:   There is negative and significant existence of correlation between customer satisfaction and intents to shift in Islamic Bank customers.

H3:   There is positive and significant existence of correlation between customer satisfaction and customer fidelity in Conventional Bank customers.

H4:   There is negative and significant existence of correlation between customer satisfaction and intents to shift in Conventional Bank customers.

Figure 1: Model for Correlation with Customer Satisfaction.
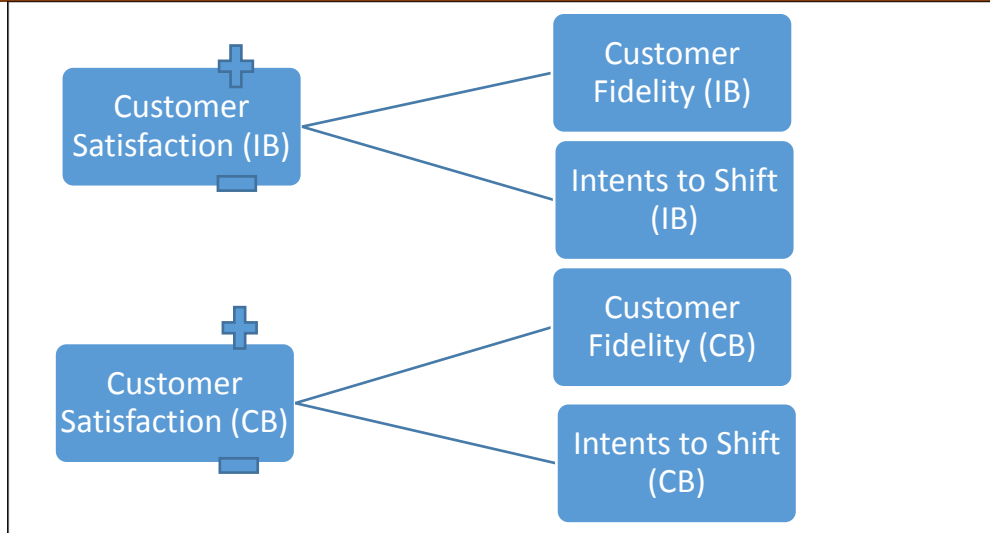
RESEARCH METHODOLOGY

A self-administered questionnaire was used to collect data from 100 customers from different Islamic and conventional banks and branches. To measure the Customer Satisfaction (CS) three questions were asked. The respondents were allowed to show their satisfaction level by marking from 1 (Strongly Disagree) to 5 (Strongly Agree). The higher values in responses show higher satisfaction level. For scaling Customer Fidelity (CF) and Intents to Shift (IS) respondents were asked four and three questions respectively, on like scale. Other scale variables of interest are PERIOD and AGE, and one ordinal variables EDU (see Table III).

Table III: List of Variables

S.#	Variable	Description	Possible Values
1	CS1	Customer Satisfaction (Q1)	1 to 5
2	CS2	Customer Satisfaction (Q2)	1 to 5
3	CS3	Customer Satisfaction (Q3)	1 to 5
4	CF1	Customer Fidelity (Q4)	1 to 5
5	CF2	Customer Fidelity (Q5)	1 to 5
6	CF3	Customer Fidelity (Q6)	1 to 5
7	CF4	Customer Fidelity (Q7)	1 to 5
8	IS1	Intents to Shift (Q8)	1 to 5
9	IS2	Intents to Shift (Q9)	1 to 5
10	IS3	Intents to Shift (Q10)	1 to 5
11	WHY_CHOSEN	What is the main reason of choosing this bank?	String (Open)
12	PROB_WITH_BANK	If you have any problem with your bank, please mention.	String (Open)
13	BANK NAME	Name of your Bank	String (Open)
15	PERIOD	Since how many years you are customer of this bank?	Numeric (Open)
16	OCCUP	What is your occupation? Open ended in questionnaire, but later on coded as =>	0 = Other
			1 = Student
			2 = Employee
			3 = Businessman
17	EDU	Education Level Open ended in questionnaire, but later on coded as =>	0 = Uneducated
			1 = Primary
			2 = Secondary
			3 = College
			4 = Graduate
			5 = Post Graduate
18	AREA	Your residential area	1 = Rural
			2 = Urban
19	AGE	Age in years	Numeric (Open)
20	SEX	Gender	0 = Female
			1 = Male
21	CS	Derived using factor method (regression) from CS1, CS2 and CS3.	-
22	CF	Derived using factor method (regression) from CF1, CF2 and CF3.	-
23	IS	Derived using factor method (regression) from SI1, SI2 and SI3.	-

Factor reduction method was used to reduce the ordinal data of correlation related questions to a single variables i.e., CS, CF and IS. Then correlation technique was used to test H1 to H4.

RESULTS

Data of 100 usable questionnaires was coded into SPSS 16 for analysis. Table IV shows the descriptive statistics for the sample. The mean for the length of relationship with Islamic Banks is lower (4.9 years) than Conventional Banks (9.3 years) because Islamic Banks are relatively younger in banking market. The mean of 3.9 for EDU shows that most of customers are graduate. Most of the customers are in the range of 28 to 47 years of age. Total of 86% belong to urban area and 68% are male.

Table IV: Sample Descriptive Statistics

S.#	Variable	Islamic bank			Conventional bank			Total		
		Mean	S.D	Count	Mean	S.D	Count	Mean	S.D	Count
1	CS1	4.6	0.6	51	4	1	49	4.3	0.9	100
2	CS2	4.2	0.5	51	3.7	0.8	49	4	0.7	100
3	CS3	4.2	0.7	51	3.7	1	49	4	0.9	100
4	CF1	4.1	0.7	51	3.6	0.9	49	3.9	0.8	100
5	CF2	4.2	0.7	51	3.6	1.1	49	3.9	1	100
6	CF3	4	0.8	51	3.7	1	49	3.8	0.9	100
7	CF4	4.2	0.7	51	4	0.8	49	4.1	0.8	100
8	IS1	2.6	0.9	51	2.7	0.8	49	2.7	0.8	100
9	IS2	2.6	0.9	51	3	1.4	49	2.8	1.2	100
10	IS3	2.5	0.9	51	2.9	1.1	49	2.7	1.1	100
11	WHY_CHOSEN	-	-	51	-	-	49	-	-	100
12	PROB_WITH_BANK	-	-	51	-	-	49	-	-	100
13	BANK NAME	-	-	51	-	-	49	-	-	100
15	PERIOD	4.9	5	51	9.3	5.6	49	7.1	5.7	100
16	OCCUP	3.2	0.8	3	3.2	0.8	4	3.2	0.8	7
				2			0			2
				30			29			59
				16			16			32
17	EDU	3.8	1.3	0	4.1	1.1	0	3.9	1.2	0
				2			2			4
				9			5			14
				6			3			9
				13			17			30
				21			22			43
18	AREA	1.9	0.3	7	1.9	0.4	7	1.9	0.3	14
				44			42			86
19	AGE	36.2	9.8	51	38.9	9.1	49	37.5	9.5	100
20	SEX	0.7	0.5	17	0.7	0.5	15	0.7	0.5	32
				34			34			68
21	CS	0.35	0.61	51	-0.37	1.19	49	0	1	100
22	CF	0.29	0.7	51	-0.3	1.17	49	0	1	100
23	IS	-0.21	0.81	51	0.22	1.13	49	0	1	100

Source: Primary Data.

The coefficients of correlation for Customer Satisfaction and Customer Fidelity for Islamic Banking as well as Conventional Banking customers are positive (0.644 and 0.734 respectively) and significant (both 0.000) (see Table V). Therefore we accept H1 and H3. The coefficients of correlation for Customer Satisfaction and Intents to shift for Islamic Banking as well as Conventional Banking customers are negative (-0.513 and -0.61 respectively) and significant (both 0.000). Therefore we accept H2 and H4. The results are in conformity with (Mohsan et al., 2011).

Table V: Correlations.

Correlations*	Islamic Bank	Conventional Bank	All Sample
Customer Satisfaction with Customer Fidelity	0.644 (0.000)	0.734 (0.000)	0.739 (0.000)
Customer Satisfaction with Intents to Shift	-0.513 (0.000)	-0.610 (0.000)	-0.604 (0.000)

Source: Primary Data.

* Pearson Coefficients and significance values in brackets (all values significant at 1% level.

The results also show that customer satisfaction affect less on customer fidelity for Islamic banks than on Conventional Banks. And same thing appears in relationship between Customer Satisfaction and Intents to shift. One can argue here that there is existence of another dimension which affects the level of satisfaction in Islamic Banks. Surely one can subjectively tell that it might be the religious view for banking. But from economic point of view the meagre existence of Islamic banks did not provide open space for comparing the performance within Islamic Banks. This reduces the list of available or feasible options for a customer who score high on Sharia Loyalty. Sharia Loyal-ness is one of main determinant in selection of Islamic Banks (Karim & Affif, 2006).

CONCLUSION

The study by (Mohsan et al., 2011) has found positive correlation between customer satisfaction and customer loyalty and negative correlation between customer satisfaction and intentions to switch. Their study was conducted for all banks but we devised the alike comparative study for Islamic and conventional banks. The survey of 100 respondents 51 from Islamic Banks and 49 from Conventional Banks the results in conformity with (Mohsan et al., 2011).

Final words: May Almighty forgive us of any mistakes we made, and guide us to the right direction (Ameen).

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