



## The Influence of Service Quality and Customer Satisfaction on Customer Attitude: A Case of Al-Rajhi Bank in Saudi Arabia

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**Abstract:** This study aims to empirically investigate the influence of perceived service quality and customer satisfaction on customer attitude towards Islamic banking using Al Rajhi Bank, the world's largest Islamic bank, as a case study. A survey questionnaire was used as the research instrument to collect the data for this study. A total of 140 questionnaires were distributed to Al-Rajhi Bank's customers, 86 were received and 2 were discarded leaving 84 questionnaires that can be used for data analysis. Linear regression analysis was performed to test the causal relationship between the variables. This study found both perceived customer satisfaction and service quality have a significant positive relationship with customer attitude towards Islamic banking. The results indicate that the positive relation between variables means increasing the quality of the services offered by bank for its customers will enhance and improve the customer attitude towards the bank's services. The same conclusion applies to customer satisfaction. This study can be used as an input for Al-Rajhi Bank's management and other Islamic banks' management in setting up strategies and policies to improve their service quality and customer satisfaction. It is important to note that a good understanding of customer attitude toward bank services leads to a better understanding of customer behavior. This study also adds value to the relatively limited number of literature on customer attitude towards Islamic banking services.

**Keywords:** Customer Attitude, Service Quality, Customer Satisfaction, Al-Rajhi Bank.

### I. INTRODUCTION

In the 1960s, the first 2 financial institutions based on Islamic laws or Shariah namely Mith Ghamr Rural Bank and Tabung Hajj have been introduced in Egypt and Malaysia respectively. However, both institutions were not legally called Islamic banks. Subsequently, in 1970s, the pioneers of Islamic banking were established in the Middle East particularly in the Gulf Cooperation Council (GCC) Countries. Reshaping financial services and products in the mold of Islamic principles was the primary objective of Islamic banking system, so that to accomplish with the needs and demands of customers, especially for those customers who are considering seriously the religious restrictions, such as interest. Later this purpose was even broadened to enhance the business volume under the same cover. With an estimate of USD 1.1 trillion assets now, Islamic banking and finance is recognized as an emerging industry in today's global world. Currently, more than 100 financial institutions based on Islamic banking system are being operated in more than 34 Muslim and non-Muslim countries in the world (Misbach & Hadiwidjojo, 2013).



As the industry moves forward and due to the increased liberalized global and competitive industry, the competition regarding attracting and retaining customers is increasing (Ameer, 2013). Although there exists a visible difference between Islamic and conventional banks, they are still competing each other especially in countries that implement dual banking system where Islamic and conventional banks are operating side by side (Naser & Moutinho, 1997). Therefore, in order to remain competitive, Islamic banks need to develop sufficient human resources, upgrade technology and implement efficient marketing strategies that fit the customers' needs (Ameer, 2013; Rizwan et al., 2013). For that reason, there is a need to understand customer attitude towards Islamic banking services. Customer attitude can be defined as a mindset to act in a particular manner towards products and services due to both an individual's experience and knowledge (Hidayat, 2016).

Despite the importance of understanding the customer attitude, Haque (2010) stated that knowledge about customers' attitudinal antecedent towards Islamic banking is very scant, and research about the subject is also limited. According to Albarq (2014) very few studies that have considered the factors that influence the attitude towards Islamic banking services in general. Rizwan et al. (2014) also stated that there is a need to examine the attitude toward Islamic banking services especially in the home countries of the pioneers of Islamic banking such as Saudi Arabia, the country where the two Muslim holy cities Mecca and Madina were located. In addition, Saudi Arabia is the home to the world's largest Islamic bank by assets size, Al-Rajhi Bank. In 2014, Al-Rajhi Bank has USD 82.05 billion of total assets. In addition, based on the SAMA report of 30 April 2014, Al Rajhi Bank is one of the world's largest Islamic banks in terms of total assets and had a market capitalization of \$ 28.2 billion with over 550 branches, and the largest ATM network in Saudi Arabia . Given the importance of understanding customer attitude and the lack of research in this regard within Islamic banking and finance, this study aims to empirically investigate the influence of perceived service quality and satisfaction on the attitude of customers towards Islamic banking services using Al Rajhi Bank as a case study. The findings of this study is expected to benefit both practitioners and academics. This study can be used as an input for Al-Rajhi Bank's management and other Islamic banks' management in setting up strategies and policies to improve their service quality and customer satisfaction. It is important to note that a good understanding of customer attitude toward bank services leads to a better understanding of customer behavior. This study also adds value to the relatively limited number of literature on customer attitude towards Islamic banking services.

## **2. LITERATURE REVIEW**

This section discusses some relevant previous studies that are used as the reference for this study. As it has been mentioned in the first section, there is only limited number of available literature that empirically discussed the factors that influence customer attitude towards Islamic banking services (Albarq, 2014; Awan and Azhar, 2014). Based on the available literature, it is found that customer attitude towards Islamic banking services is influenced by 2 factors namely perceived service quality and customer satisfaction. The following subsections further discusses the empirical evidences on the influences of the 2 factors on customer attitude towards Islamic banking services in more details.

### *2.1 Service Quality and Attitude towards Islamic Banking*

Research in general found that customer's perception towards service quality positively influences customer attitude (Kardes et al., 2004; Jaafar et al., 2012; Mian & Rizwan, 2013). In other words, quality perception can create a more positive attitude toward purchasing the product or the services. Albarq (2014) even stated that service quality is important for survival in the competitive atmosphere of banking industry. For Islamic banking and finance, Rizwan et al. (2014) checked the effects of the customer's perceived service quality on the customer's attitude towards Islamic banking services using



questionnaire with a convenience sampling in order to collect data from customers of 4 Islamic banks operating in Bahawalpur, Pakistan namely Meezan Bank, Bank Islamic, Dubai Islamic Bank, and Bank Al-Baraka. The study found a significant effect between the perceived service quality and attitude towards Islamic banking services. The same point has also been expressed by Fada and Wabekwa (2012), who investigated a sample of 134 Nigerian respondents using structured questionnaire to examine their perception towards Islamic banking services. They found that customer perception quality will enhance the perceived value of the service provided by Islamic banks which will increase the positive attitude toward the bank.

Misbach and Hadiwidjojo (2013) investigated the effect of service quality of the Islamic bank on customer attitude using survey questionnaire filled up by 130 respondents in Indonesia and found that service quality of the Islamic bank had a significant influence on the attitude of customer towards the Islamic banking services. Dusuki and Abdullah (2006) explained that Islamic bankers can no longer depend on promoting the Islamic factor, but also service quality where it is possible to push the positive attitude toward selecting certain service. Their survey using questionnaire among 750 respondents in Malaysia found a strong relationship between customer service quality and the attitude towards IB. Therefore, it is anticipated that more customers evaluate the quality of banks positively more than the possibility of positive attitude to influence behavior.

### *2.2 Customer Satisfaction and Attitude towards Islamic Banking*

Like perceived service quality, customer satisfaction has been revealed by previous studies as one of the factors that positively influences customer attitude towards Islamic banking services (Awan and Azhar, 2014; Rizwan et al, 2014). Awan and Azhar (2014) empirically investigated the relationship between customer satisfaction and consumer behavior (consumer attitude) towards Islamic banking services in Pakistan. Structured questionnaire distributed to 300 respondents was used as the research instrument to collect the data. The study found a positive relationship between customer satisfaction and customer attitude.

Rizwan et al. (2014) also investigated the relationship between customer satisfaction and customer attitude. The study found a positive relationship between customer satisfaction and customer attitude. The study also mentioned that customer satisfaction measurement can provide supportive indications to Islamic banks' managers for their services and evaluate the customers' future attitudes toward their services since it helps to spread positive word of mouth. This also helps Islamic banks in minimizing their marketing related expenditures and subsequently maximizing the banks' profits.

## **3. RESEARCH METHODOLOGY**

This section discusses the research framework and hypothesis development, research method, sampling techniques and statistical tools and analyses employed by the study. The following subsections discuss each of them in more details.

### *3.1 Research Framework and Hypotheses Development*

From the above literature, it can be concluded that there is a positive influence of perception of the service quality of Islamic bank and satisfaction on the customer attitude towards Islamic banking services. Therefore, the framework for this research is developed and shown by Figure 1 below.

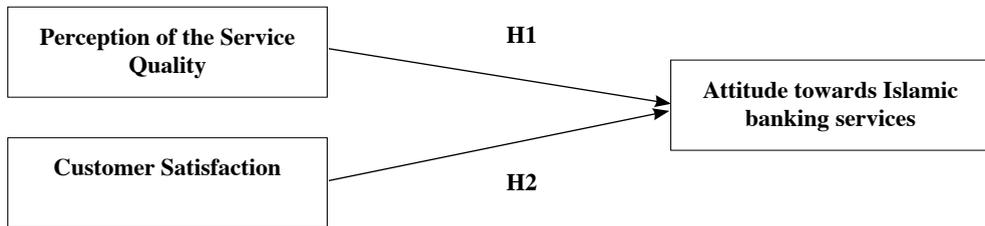


Figure 1. Research Framework

After the framework has been formulated, two hypotheses are developed and ready for testing. The following hypotheses are derived from the above framework:

- H01: There is no positive influence of perception of the service quality on customer attitude towards Islamic banking services.  
 Ha1: There is a positive influence of perception of the service quality on customer attitude towards Islamic banking services.  
 H02: There is no positive influence of customer satisfaction on customer attitude towards Islamic banking services.  
 Ha2: There is a positive influence of customer satisfaction on customer attitude towards Islamic banking services.

### 3.2 Research Method and Instrument

Since most of the previous studies employ quantitative research method, this study also uses quantitative research method utilizing survey questionnaire as its research instrument (Dusuki and Abdullah, 2006; Fada and Wabekwa, 2012; Misbach and Hadiwidjojo, 2013; Awan and Azhar, 2014; Rizwan et. al, 2014). 140 questionnaires were distributed to Al-Rajhi Bank's customers across Saudi Arabia using convenience sampling method. A two-page questionnaire was designed to measure all the variables described in the previous section. All questionnaires instruments were adopted from previous studies and relevant to the study's objective. The questionnaire consists of four domains namely demographic characteristics and occupation information of the participants, service quality, customer satisfaction and customer attitude towards Islamic banking services. All items used in the survey were 7 Likert scale with 1 representing "strongly disagree" to 7 representing "strongly agree". The data collected were analyzed using SPSS version 14.00 (Statistical Package for Social Sciences).

This analysis was conducted in 3 stages. Firstly, it covers the respondents overall profile followed by descriptive statistics such as means, standard deviation, frequency and percentage, which were used to analyze respondents profile such as age, gender, and marital status. In the second stage, Cronbach alpha coefficient was used to test the reliability of each factor in the questionnaire. From the result of this test, all items that have no significance were deleted. According to Albarq et al. (2013), a reliability coefficient - Cronbach Alpha ( $\alpha$ ) 0.5 or higher is acceptable. Then the linear regression to test the causal relationship between the variables was conducted. There are items in each variable. For customer satisfaction, there are 3 items in the questionnaire used to test the satisfaction namely "I am satisfied with all services provided by the bank" (Sat 1), "I am satisfied with the charges/rates imposed by the bank on its services or financings" (Sat2), and "I am happy to choose this bank and will continue to deal with this bank" (Sat3). For service quality, there are 5 items in the questionnaire used to examine the bank's service quality namely "The employees of the bank always assist me very well" (Q1), "The employees of the bank really understand what I need" (Q2), "All my transactions are immediately taken care by the bank's staff" (Q3), "The bank's working hours fit my time" (Q4) and "The employees of



the bank are willing to give their personal attention to my problem” (Q5). For the customer attitude, there are 3 items in the questionnaire used to measure the customers’ attitude towards Islamic banking services namely “Choosing an Islamic bank like Al-Rajhi is a good deal” (ATT1), “I will choose Islamic banks like Al-Rajhi for all my banking transactions” (ATT2), and “I will recommend to my family members to transact with Islamic banks like Al-Rajhi” (ATT3).

#### 4. FINDINGS AND DISCUSSION

This section presents the findings of this study and their discussion. This section consists of two subsections namely demographic profile of the respondents and reliability test; and hypothesis testing.

##### 4.1 Demographic Profile and Reliability Test

From 140 questionnaires distributed, 86 were received. 2 of 86 questionnaires received were returned blank or incomplete. Therefore, the final total useable was 84 or represents 60.0% response rate. In term of demographic profile, 51 respondents or 60.7% participated in the survey are male while 33 respondents or 39.3% are female. In term of age, majority of the respondents (62) or 73.8% are in the age group of 23-28. In term of marital status, majority of the respondents (69) or 82.1% are married and 31 respondents or 37% earn monthly income of less than SAR 10,000. In term of educational level, majority of the respondents have bachelor degree or more. Only 10 respondents or 11.9% have high school certificate. Thus, the respondents participated in the survey are qualified enough to be the sample of this study. Table 1 below summarizes the demographic profiles of the respondents.

**Table 1. Demographic Profile of the Respondents**

Demographic		Frequency	Percentage
Gender	Male	51	60.7
	Female	33	39.3
	<b>Total</b>	<b>84</b>	<b>100%</b>
Age	23-28	62	73.8
	29-35	18	21.4
	and older 36	4	4.8
	<b>Total</b>	<b>84</b>	<b>100%</b>
Status	Single	12	14.2
	Married	69	82.1
	Other	3	3.7
	<b>Total</b>	<b>84</b>	<b>100%</b>
Income	below 10000.00	31	37.0
	up to 20000 10001	14	10.0
	up to 30000 20001	28	33.3
	More than 30000	11	19.7
	<b>Total</b>	<b>84</b>	<b>100%</b>
Education Level	Higher School	10	11.9
	Bachelor Degree	39	46.4
	Master Degree	27	32.1
	PhD Degree	8	9.6
	<b>Total</b>	<b>84</b>	<b>100%</b>

The descriptive statistics for all the three key constructs were performed using the SPSS 14.0 computer software and the results are presented in table 2 below. This table details the mean, median, standard



deviations, variance, and range of the descriptive statistics of the questionnaire items and constructs.

**Table 2. Descriptive Statistics for All Items**

Construct	Mean	Median	St. Deviation	Variance	Range
<b>Satisfaction</b>	<b>4.45</b>	<b>5.25</b>	<b>1.499</b>	<b>2.249</b>	<b>6.0</b>
Sat1	4.42	5.00	1.665	2.785	6.0
Sat2	4.45	5.00	1.636	2.752	6.0
Sat3	4.47	5.00	1.559	2.429	6.0
<b>Quality</b>	<b>4.01</b>	<b>4.00</b>	<b>1.588</b>	<b>2.524</b>	<b>5.5</b>
Q1	3.98	4.00	1.698	2.884	6.0
Q2	4.01	4.00	1.731	2.995	6.0
Q3	4.07	4.00	1.697	2.880	6.0
Q4	4.01	4.00	1.647	2.711	6.0
Q5	4.03	4.00	1.617	2.380	6.0
<b>Attitude</b>	<b>4.36</b>	<b>4.60</b>	<b>1.4536</b>	<b>2.113</b>	<b>5.6</b>
ATT1	4.31	4.00	1.479	2.188	6.0
ATT2	4.54	4.00	1.514	2.292	6.0
ATT3	4.41	4.00	1.730	2.994	6.0

The above descriptive statistics results were used as the data for simple linear regression test. However, before simple regression test is performed, the reliability test should be performed in order to ensure the assessment tool (questionnaire) produces consistent and reliable results. In this study, reliability test using Cronbachs Alpha ( $\alpha$ ) was conducted on all the variables to measure the inter-reliability. The variables that were tested are customer satisfaction, quality of service, and attitude toward Islamic banking. The summary of the reliability test is showed in table 3 below.

**Table: 3 Reliability Test**

Variables	Number of items	Cronbachs Alpha
Customer Satisfaction	04	0.9783
Service Quality	05	0.9256
Attitude towards Islamic Banking	04	0.9662

The results of the reliability test reveal that all items in the questionnaire obtained a reliability coefficient of  $> 0.5$ . This indicates that the questionnaire is reliable and producing consistent results.

#### 4.2 Hypothesis Testing

There are 2 hypotheses tested in this study namely:

- H01: There is no positive influence of perception of the service quality on customer attitude towards Islamic banking services.
- Ha1: There is a positive influence of perception of the service quality on customer attitude towards Islamic banking services.
- H02: There is no positive influence of customer satisfaction on customer attitude towards Islamic banking services.
- Ha2: There is a positive influence of customer satisfaction on customer attitude towards Islamic banking services.



Based on the above two hypotheses, two simple linear regression tests are done in which customer attitude towards Islamic banking services becomes the dependent variable in each test. In the first test the perception of service quality is the independent variable while in the second test customer satisfaction is the independent variable. Simple linear regression test provides us with statistical information about the relationship of each independent variable with dependent variable. Table 4 below summarizes the results of the 2 simple linear regression tests.

The results of simple linear regression tests reveal that service quality and customer satisfaction are found to be positively statistically significant at 0.01 significance level with customer attitude towards Islamic banking services. This means that service quality and customer satisfaction have positive significant influence on customer attitude towards Islamic banking services. Therefore, H01 and H02 are rejected and Ha1 and Ha2 are supported. These results are in line with the findings of the previous studies which empirically found positive influence of service quality and customer satisfaction on customer attitude towards Islamic banking services (Dusuki and Abdullah, 2006; Fada and Wabekwa, 2012; Misbach and Hadiwidjojo, 2013; Awan and Azhar, 2014; Rizwan et. al, 2014).

**Table: 4. Summary of Simple Linear Regression Tests**

Independent Variables	Unstandardized Coefficients Beta	Std. Error	Standardized Coefficients Beta	p Value
Service Quality	0.306	0.056	0.270	***0.0001
Customer Satisfaction	0.675	0.047	0.710	***0.0001

Note:  $R^2 = 0.900$   $F = 636.975$  \*\*\* $P < 0.01$  Sig  $F = .000$

## 5. CONCLUSION AND RECOMMENDATIONS

This study successfully achieves its objectives which are to empirically investigate the influence of perceived service quality and customer satisfaction on the attitude of customers towards Islamic banking services using Al Rajhi Bank as a case study. Simple linear regression test results reveal that there is a positive influence of perceived service quality on attitude of customers towards Islamic banking services among Al Rajhi customers. It is also found that there is a positive influence of customer satisfaction among Al Rajhi Bank on attitude of customers towards the bank's services. This means increasing the quality of the services offered by the bank for customers will enhance and improve the customer attitude towards the bank's services. It also means that more satisfied the customers towards the bank's services, the more positive attitude of the customers towards the bank's services.

Therefore, this study comes out with several recommendations to enhance the customer attitude towards Islamic banking services and recommendations for further studies. First, it is important for all Islamic banks to enhance their service quality by referring to the renowned 5 SERVQUAL dimensions namely tangibles, reliability, responsiveness, assurance and empathy (Hidayat, 2016). In term of tangibles, Islamic banks should improve their physical facilities such as network of branches, availability of ATMs, parking space and convenient waiting area. In term of reliability, Islamic banks must be able to perform the promised services accurately and satisfactorily. In term of responsiveness, Islamic banks must be able to ensure that all their employees are willing to help the customers and provide prompt responses to any inquiries raised by the customers. In term of assurance, Islamic banks must make sure that all their employees are well knowledgeable about the banks' products and services and able to convey the message properly and confidently to the banks' customers. In term of empathy, Islamic banks make sure all their employees care about the customers' needs and able to provide individualized attention to their respected customers.



Second, customer satisfaction in banking sector can be seen from 4 dimensions namely personnel of the bank, the image of the bank, services offered and accessibility (Mihelis et.al, 2001). All the 4 dimensions of customer satisfactions are actually related to the SERVQUAL dimensions. For example, in term of personnel of the bank, the personnel of Islamic banks must have adequate knowledge about the bank's products and services and must be able to communicate effectively with the bank's customers which are very much similar to the assurance dimension of the SERVQUAL. Third, this study like other studies also has some limitations that can be filled up by further studies. This study only focuses on Al-Rajhi Bank; therefore including the customers of other banks in Saudi Arabia will enhance the credibility of the study. In addition, similar studies can be done in other countries where Islamic banks are operating. Fourth, since there are also arguments and empirical studies that show the influence of service quality on customer satisfaction, conducting empirical studies where the customer satisfaction is treated as the intermediate variable between service quality and customer attitude will enhance the accuracy of the results.

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