The Determinants of Customer Satisfaction in Islamic Banks in Libya

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ABSTRACT

In the face of financial globalisation, the Islamic banking system seems to be thriving and robust, coexisting peacefully alongside the regular banking system. The study will look at a variety of areas, including service quality, government assistance, Shariah compliance, religious support and price. The data for this study were gathered via a survey of Tripoli’s consumer bankers. 200 questionnaires were sent to selected respondents. Conclusions may be taken from this sample by generalising the population’s interests. Random sampling was used to identify the basic units. The findings of this study will assist banks and connected stakeholders in the financial industry, including policymakers and senior management, in making Islamic banking more acceptable and beneficial to clients. The study’s key finding is that Shariah-compliant goods and services are more likely to increase customer purchase intent. These provisions would enable all parties engaged in Islamic banking, especially Libyan banks, to be more proactive in developing effective marketing strategies to recruit new customers.

Keywords: Determinants, Islamic banking, Customer satisfaction, Libya.

1 Introduction

It would seem that the Islamic banking system is thriving and robust in spite of globalisation in the financial industry, and it looks to be happily coexisting alongside the conventional banking system. On the other hand, Islamic banking has been steadily gaining popularity among consumers as it continues to evolve in order to suit the needs of potential clients in the global financial sector who are Muslims. However, as a consequence of this event, Islamic banking is gaining more recognition all over the world. As a consequence of this, Islamic banking is becoming more compatible with other financial products that are currently on the market. Islamic banking is based on the Islamic law (Shariah). It follows the Shariah, called fiqh muamalat (Islamic rules on transactions). The rules and practices of fiqh muamalat came from the Quran and the Sunnah (Hadith), and other secondary sources of Islamic law such as opinions collectively agreed among Shariah scholars (ijma’), analogy (qiyas) and personal reasoning (ijtihad).

The Islamization of the financial and economic system is helped along by the formation of big Islamic banks, which prepare the way. In spite of the doctrinal disagreements that have surrounded Islamic banking over the past four decades, Islamic banking remains one of the most important issues in the literature on financial intermediation and the topic of lively debates. In recent years, the world has seen an unprecedented amount of interest in Islamic banking and the financial instruments it uses. Within the context of the financial financial system, the field of Islamic finance has emerged as one of the sub-sectors with the most rapid expansion. Since the year 2000, the trade of Islamic financial services has had an average annual growth rate of 20% (IFSB, 2010), making it the sector of the services industry with the highest rate of expansion.

Islamic banking is basically defined as a banking system abiding to Shariah law or known as Islamic law. Shariah or Islamic law is governed by the Quran which is the holy book of the Muslims. Stemming from Islamic law, it represents a holy way of life according to Islamic teachings. Ehsan Wahla, Hasan, and Bhatti (2018) quoted that Shariah-compliant defines that Islamic banking should be anything that is permissible under Islamic law.

Customer Satisfaction is very important in determining the success of our marketing activities in a company or organisation. Satisfied customers would result in repeat orders of the products or any good gestures
made by them. However, it can be otherwise if the customers are not satisfied. According to Fauzi and Suryani (2019), satisfaction comes from products and brands as a result of two cognitive variables known as pre-purchase expectation and disconfirmation. Post-purchased is compared directly pre-purchase variable to form simple reasoning for satisfaction. This will lead to disconfirmation process to determine whether the customer is satisfied or vice-versa.

Customer driven has been the most important thing in marketing world. Without proper marketing strategies and techniques, the business or an organisation merely sustains its market presence in the industry they are in. Good marketing has become main key factor for having successful business. In regards to Islamic banking, it is also a kind of business which relate directly with customers in order to create meaningful business activities. Just like other banking business, Islamic banking deals with products and services that have significant impacts towards customers' satisfaction. The main objective of this study is to determine the success factors of Islamic banking in Libya.

Pricing seems to be one of the important key components when marketing a new launched product. However, Haron, Abdul Subar, and Ibrahim (2020) reiterated that pricing should be consistent with the company target market, market strategy and brand positioning. Thus, creating value pricing without sacrificing the quality of the products offered. As a result, the organisation or company would be able to attract more customers on large scale. Islamic banking is always promoting an interest free banking concept which is free from oppressing element to its customers. Fair and just pricing element has been embedded in the system ever since it was created and introduced to mankind.

Iqbal, Nisha, and Rashid (2018) made a comparative study on Islamic and conventional banking in Pakistan in order to gauge customers' satisfaction. The result showed that Islamic banking customers are more satisfied as compared to conventional banking. However, there has been significant difference among male and female for Islamic banking while conventional banking showed no significant result. Therefore, this study has served some basis for bankers, policy makers and practitioners when assessing satisfaction level among their customers and how to integrate these values into its existing and new offerings or products innovation. Demographic factor is also playing a vital role in determining the right marketing strategies for its customers.

Muhammad and Muhammad (2013) made an empirical study on the influence of consumer attitude towards Halal banking which encompassed e-service quality and e-satisfaction for overall online Islamic banking service. The enhanced service quality has created good impact on e-satisfaction and e-loyalty towards the bank mediated by e-trust. Other finding showed that specific religious attitude has positively influenced the customers’ assessment towards the bank and overall satisfaction. Service quality has been explained by Kamarudin and Kassim (2020) made a research on business-to-customer (B2C) which relates to customers satisfaction as main objective. Assurance, responsiveness and empathy have positive impact but serve no significant values towards customers’ satisfaction.

Khamis and AbRashid (2018) made a study on choice criteria for Islamic home financing among Libyan customers. Structured questionnaires were given to 150 respondents to analyse their perception and preferences. The findings showed that Shariah principle has been selected as part of major criteria for home financing which encompass other factors like interest free practise, lower instalment and transparency practise banking plays an important in enticing the customers to choose Islamic banking.

Muhammad, Basha, and AlHafidh (2020) confirmed that factors motivating customers to deal with Islamic due a predominant combination of Islamic and financial reputation. Therefore, Islamic banks should have an integrated customer service policy in tandem with Islamic teachings so that it can be translated into strategic tools which will enhance its competitive advantage and ultimately secure its customers loyalty.

Rahman, Chowdhury, Haque, and Rashid (2021) made a study on attitudinal differences among Libyan customers in Islamic banking. A set of questionnaires was structured to collect the desired data through the selected samples which covers attitudinal factors. As a result, it has shown positive attitude among Libyan customers with Anova test showing significant differences. Although the composition of group in the study seems to be one of the limitations, the study has managed to explore other positive factors in order to improve the standard of Islamic banking in Libya. As such, banks in Libya can adopt new ways on how to make betterment of their services and products in align with Islamic rules and regulation.

2 Methods
As for this research, descriptive study method is being used based on the standard requirement. According to Sekaran et al. (2009), descriptive study would allow the researcher to explore further relevant aspects or phenomenon of the focus interest issues related to company, industry or individual or other perspective as desired. The survey participants were adult individuals from a high population area, from various kinds of ethnic, educational, and professional backgrounds. Their age and community location were selected for easy accessibility to the study’s researcher of distribution or banks branches. Data for this study have been collected via a survey conducted to consumer banking users within Tripoli. A total of 200 questionnaire forms have been send to selected respondents. The random sampling method was chosen in order to determine the elementary units. This would describe the accuracy of the measurements eliminated for a particular unit from the population resulting in an equal likelihood of the sample’s selection. Random sample proved to be free from sampling bias.

According to Sekaran and Bougie (2009) defined questionnaires as a pre-formulated set of questions to which the targeted respondents answers and give inputs. It serves as data collection tools as researchers needs and measured the variables accordingly. Every variable was represented via five (5) items set of questions. Five point Likert scale was adopted for the questionnaires. The questionnaires consisted of Part A which includes the demographic profiles and Part B which encompassed the tested variables for the study. Approximately, 40 to 50 customers were piloted in order to ensure that the language is simple and easy to understand. It then allowed questions to be modified and improved prior to distribution and data collection.

3 Results

Questionnaires totalling of 200 sets were distributed to the respective respondents randomly focusing more on people working in private sector in Tripoli. However, only 180 respondents have answered the questionnaires. Under the gender section, the main respondents were male (58.3%) for 105 respondents and followed by female (41.8%) represent for 75 respondents. Overall of 180 respondents, the respondents’ age for this study is categorized by five different levels. In this study, the highest respondents were reported at the age of 31 to 40 years age representing 82 respondents (45.6%), followed by age 21 to 30 for 75 respondents (41.75%), third rank showed 14 respondents (7.8%) for age between 41 to 50 years and finally above than 51 years of age (2.8%) representing 5 respondents.

Correlation Analysis

Pearson Product Moment Correlation (Pearson Product Moment Correlation) is used to measure the strength of influence between independent variable and dependent variable. In Table 1, one can see the scales that describe the correlations between independent variables and dependent variables.

<table>
<thead>
<tr>
<th>Service Quality</th>
<th>Government Support</th>
<th>Sharia Compliance</th>
<th>Religion</th>
<th>Pricing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Satisfaction for Islamic Banking</td>
<td>Pearson Correlation</td>
<td>.220</td>
<td>.243</td>
<td>.519</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.003</td>
<td>.001</td>
<td>.000</td>
<td>.001</td>
</tr>
<tr>
<td>N</td>
<td>180</td>
<td>180</td>
<td>180</td>
<td>180</td>
</tr>
</tbody>
</table>

Gender and customer satisfaction

An independent samples t-test has been carried out in analysing the significant different in the mean of customer satisfaction score for male and female. The result of t-test has been tabulated in the table 4.3. From this finding, it has been indicated that there is a significant differences in customer satisfaction between two sector (t value = 0.008, P = 0.994). Since the probability error is above than 0.05 (p=0.000 > 0.05). Therefore, it can be concluded that the gender of respondents does not have any influence on customers' satisfaction towards the success of Islamic banking.

| Customer Satisfaction for Islamic Banking | Pearson Correlation | .220 | .243 | .519 | .235 | .223 |
| Sig. (2-tailed) | .003 | .001 | .000 | .001 | .003 |
| N | 180 | 180 | 180 | 180 | 180 |
One Way ANOVA Analysis

One way ANOVA or also known as One way analysis of variance is actually a statistical test used in comparing the mean of three or more independent sample group (SPSS base 2.0 User's Guide, 2003). This test would measure if there is a significant difference in population mean from which the samples were represented. In ANOVA, this tool represents a statistical technique for examining the differences between two or more populations. The F test is designed for statistical test which is practically used to test equality of variance of two populations. Once the result has been clarified, ANOVA would determine whether or not the means of various groups are significantly different from one another, as shown by F statistics value (Sekaran & Bougie, 2010).

In table below, the one way ANOVA shows that significant value at p = 0.047. Since the p value is less than 0.05 and the degree of freedoms are 4 and 175, it indicates that there is a difference in overall customer satisfaction according to their age (F = 2.465, P = 0.047). Thus, it can be concluded that age does have influence towards the customer satisfaction in Islamic banking. Since p value is more than 0.05 with the degree of freedoms are 4 and 175, it indicates that there is no difference in customer satisfaction according to income. Therefore, it can be concluded that income does not have any influence towards the customer satisfaction in Islamic banking.

Table 3 ANOVA comparing customer satisfaction across sociodemographic groups

<table>
<thead>
<tr>
<th></th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>.944</td>
<td>4</td>
<td>.236</td>
<td>2.465</td>
<td>.047</td>
</tr>
<tr>
<td>Within Groups</td>
<td>16.749</td>
<td>175</td>
<td>.096</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>17.693</td>
<td>179</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>INCOME</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>.350</td>
<td>4</td>
<td>.088</td>
<td>.883</td>
<td>.475</td>
</tr>
<tr>
<td>Within Groups</td>
<td>17.343</td>
<td>175</td>
<td>.099</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>17.693</td>
<td>179</td>
<td></td>
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</tbody>
</table>

Regression Analysis of Coefficient

Regression analysis of coefficient test shown in table 4 is used to test the coefficient between independent variable and dependent variable. The five independent variables explain 57.4 percent of the variance in success of Islamic banking in Libya. From the table, it shows that Beta of service quality is 0.95, government support is 0.083, shariah-compliance is 0.284, religion support is 0.048 and pricing is 0.153. Therefore, that every 1 percent increase of independent variable would effect by Beta for each variable. Based on the result, shariah-compliance and pricing have the highest impact on overall satisfaction.

Table 4: Regression result on customer satisfaction

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Beta</td>
<td>t</td>
</tr>
<tr>
<td></td>
<td>Std. Error</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The highly influence predictors of overall customer satisfaction are Shariah-compliance ($p=0.000$ which less than 0.05) and pricing for ($p=0.00$ which less than 0.05). However, three variables are not predictor to Islamic banking in Libya; service quality ($p=0.115$ which is more than 0.05), government support ($p=0.166$ which more than 0.05) and religion support ($p=0.433$ which is more than 0.05) do not act as significant predictors of success in Islamic banking.

4 Discussion

Age of respondents does not have an influence on intentional behaviour, since the F value is significant at the level of 2.465 with p value of 0.047. Thus, one way ANOVA results indicates that there is significant difference in overall satisfaction of the respondent. According to Steverink et al. (2011), that the formation of each individual's perceptions is related directly to experiences of ageing which lead to a dynamic process that pertains to self, social norms and their interplay and reflects the way an individual internalises social norms (Levy & Myers, 2005).

Most of the indicators of overall satisfaction were used are scored positively by a high proportion of respondents. The analysis of the customer's overall satisfaction showed that there is a general acceptance as recognized by the literatures. This study explored the relationship between determinants factors for success of Islamic banking in Libya towards customer satisfaction. The results of this study has successfully provided empirical evidence of the relationship between service quality, government support, Shariah-compliance, religion support and pricing. The results and findings of this research have managed to provide very useful insights in Islamic banking industry and ways for further improvement.

This study would provide valuable insight for universities, academic institutions and also the financial industry that all determinant factors for the success of Islamic banking are important dominants of creating intentional behaviour for pre and post purchase of all Islamic products and services among the nine predictors.

The main contributions of the current research include providing a reliable and valid questionnaire that is suitable for customer satisfaction in Islamic banking in Libya. There were papers found concerning Islamic banking Libya. However, the current research provides updated information including the insights and importance of the two factors i.e. Shariah-compliance and pricing. These two factors seems very vital in sustaining the Islamic banking Libya. By probing further to these two factors, the industry players should use these factors as part of the tools when innovating effective and meaningful marketing strategies.

5 Research Implications

From the findings of the study, it can be suggested that Shariah-compliance should come hand in hand in creating a positive acceptance and overall customer satisfaction which may be significant to increase consumer’s purchase intention. These would give all related parties indulging in Islamic banking especially bank in Libya to be more proactive in developing effective marketing strategies to satisfy that value of potential customers. This suggestion would eventually lead to development of new strategies to compete with their competitors especially in identify market opportunities, develop and commercialize new services, allocate resources among marketing activities and design an appropriate organizational structure to ensure the performance desired is achieved. In other words, marketing has always started with consumer and ended with profit.

6 Research Limitation and Future Direction
In this research, only five elements of independents variable were investigated for that matter, the researcher feels that there are still other elements that can be explored to improve future researcher. It is also in tandem with the ever changing of business environment globally that new study should be made to cope with the current needs. Due to time constraint and some other limitations, the coverage of this research was a small sample size of 180 respondents in Tripoli. Therefore, the finding may not be so accurate and less representative. In order to improve this, therefore the scope of physical coverage be widened and aspect of representation should be taken into consideration if the findings are to be generalized to the whole population.

Although other factors were proved otherwise, further research should be carried out in order to establish certain benchmark or improvement on these negative factors. As a result it would encourage more innovation of Islamic products to cater the market demand. As in Libya, the Islamic market is still young and not properly tapped. By giving space and time to these new market, more fruitful and meaningful products can be created to serve the hungry market of Islamic consumer at large.

7 Conclusion

This study explored the relationship between determinants factors for success of Islamic banking in Libya towards customer satisfaction. The results of this study have successfully provided empirical evidence of the relationship between sociodemographic features, service quality, government support, Shariah-compliance, religion support and pricing. The results and findings of this research have managed to provide very useful insights in Islamic banking industry and ways for further improvement. and customer satisfaction. The results and findings of this research have managed to provide very useful insights in Islamic banking industry and ways for further improvement.

References