

Customers' Satisfaction of Islamic Banking and Conventional Banking in Bangladesh: A Comparative Study

Dr. Muhammad Ziaulhaq Mamun*
Rezwanul Huque Khan**

***Abstract:** Being a Muslim majority country, the Shariah based Islamic banking system competing with conventional banking system has gained quite a lot of popularity among the banking stakeholders. Irrespective of some significant differences between the two systems, both the banking systems have considerable customer bases. This study tried to compare the satisfaction levels of customers of Islamic and conventional banking taking 41 variables in seven distinct areas of customer sensitivity. The study clearly noted that the satisfaction level of the Islamic bank customers significantly higher than the conventional bank customers in any of these areas. The Islamic bank customers found to be more satisfied with the variables maintenance of confidentiality by the bank, confidence in the bank's management, behavior of employees, provision of Islamic products and services, compliance with Islamic Shariah, convenience of branch locations, convenience of working hours, access to current banking related information, cleanliness of the banking environment, and overall interior comfort of branches. For conventional banking, the most satisfied variables are maintenance of confidentiality by the bank, confidence in the bank's management, access to current banking related information, convenience of branch locations, number of branches, cleanliness of the banking environment, facilities of the bank, use of technology, and overall interior comfort of branches, risk of depositing money in the bank.*

Background

Bangladesh is the world's third largest Muslim majority country, with Muslims making up more than 85 percent of the population and a significant portion of the population demanding interest-free banking for quite a long time. In August 1974, Bangladesh signed the Charter of Islamic Development Bank and committed itself to reorganize its economic and financial system as per Islamic Shariah¹. As a consequence of this, the first interest-free Shariah-based bank in South and Southeast Asia, Islami Bank Bangladesh Limited was established in Bangladesh in 1983. Since then, six more full-fledged private Islamic banks, 10 conventional banks with parallel Islamic banking services and a

*Professor, Institute of Business Administration, University of Dhaka, Dhaka-1000

**Assistant Professor, Institute of Business Administration, University of Dhaka, Dhaka-1000

number of conventional banks with Islamic banking windows have been established. At present both conventional and Islamic banking systems exist hand in hand in the country to cater to the needs of their customers. Although the conventional banks have been providing financial services in Bangladesh for a long period still, the introduction of interest-free banking systems, proved its worth in a country where 80% of the population are Muslims.

Like the traditional commercial banks, the Islamic banks do mobilize deposits and produce loans. But unlike the traditional commercial banks their modes of operation are based on Islamic Shariah. Unlike conventional banking, which earns profit by borrowing and lending money in exchange of interest, Islamic banking is run under the principles of partnership, mutual solidarity and reciprocal social development (Ahmad 2000, Dusuki & Abdullah 2007). Payment of interest which is known as *Riba* is strictly prohibited in Islamic banking. Islamic financial services industry has experienced a remarkable growth over the last four decades. Islamic Financial Services Board (IFSB) suggests that total asset were worth US\$700 billion in 2005 and at an annual growth rate of 15% which can grow up to US\$1.4 trillion by 2010 and to US\$2.8 trillion by 2015. Islamic financial services are currently very popular among the non-Muslims in different parts of the world (Ahmed 2000). Observing this increasing demand, different giant multinational conventional banks are opening Islamic banking windows providing interest free services to widely scattered population.

In a study of Islamic Banking in by Naser et al. (1999), it was found that most of the Muslim customers chose the Islamic bank from the religious perspective rather than features of the bank such as location, profit and others. It is noted that found Shariah-based principles as the single most important factor for choosing Islamic banks. On the contrary, from the study on Islamic banking in Singapore by Gerrard and Cunningham (1997), it was observed that there is no significant difference in selection of bank between Muslims and non-Muslims. In a comparative study carried out in Pakistan it was found that the customers of both the banks either they were from Islamic banks or conventional banks were satisfied with the facilities provided by the banks but the customers of conventional banks were more satisfied than the customers of Islamic banks.

In Bangladesh, religion has been found to be the most rigorous factor for choosing Islamic banking; but there are several other factors - such as, depositors' desire to achieve highest return, convenient financial transactions system, consistency in service and higher cost-benefit implications - which are significant to the customers when selecting a service provider (Rashid et al. 2008). The banking behavior of Islamic bank customers in Bangladesh was surveyed in an attempt to create a profile of the Islamic bank customer.

It was found that besides religious principles, customers in the lower income category tended to rely on the experience of their family members and friends in choosing Islamic banks. However, religious principles remain at the heart of people's preference for Islamic banks (Khan et al. 2010).

Sarker (1999) focused on allowing the Islamic banking system to fully utilize its potentials by breaking free of the conventional banking framework. It highlights how the sector has tremendous growth prospects both nationally and internationally. Another study comparing the conventional and Islamic banking sectors in Bangladesh (Iqbal 2001) showed that when compared with conventional banks, Islamic banks as a group outperformed the former in almost all areas and in almost all years. However, there are considerable variations among Islamic banks in terms of growth as well as performance.

Banking now is a thriving sector in Bangladesh, which fuels almost all other business sectors. And at the core of the banking system, are the customers. Thus customers' satisfaction with the banking system is a very crucial factor indeed. Since the Islamic banking is sensitively adjacent to religious and sympathetically close to emotional standpoint, Islamic banks have to continuously monitor the satisfaction issues of customers. This study seeks to explore the key factors that influence the perception of the people about the two banking systems in the country. An analysis of the opinions of customers of the two banking systems will enable us to understand the position each of them occupies in the market and will be useful to both sectors in order to improve or change their position in the future. It will also enable them to take proper advantage of the current position using targeted marketing strategies.

Objectives

This study tried to compare the perceived satisfaction levels of customers' towards the two prevailing banking systems in the country, namely, the conventional banking system and the Islamic banking system. Specifically the study tried to identify the satisfaction level in terms of (1) compliance and strictness, (2) management and efficiency, (3) Islamic product offering, (4) product range and services, (5) accessibility and convenience, (6) environment, facilities and comfort, and (7) risk and return. The study also identified critical factors regarding the customer satisfaction in the banking system of Bangladesh.

Literature Review

In almost every industry, customers are becoming ever more demanding, and in most markets customers have more options to choose from than ever before. Fornell (1992), upon a study on customers asserts that although customer satisfaction and quality appear

to be important for all firms, satisfaction is more important for loyalty in industries such as banks, insurance, mail order, and automobiles. Customer satisfaction, a term frequently used in business operations, is a measure of how products and services supplied by a company meet or surpass customer expectation. Customer satisfaction is defined as "the number of customers, or percentage of total customers, whose reported experience with a firm, its products, or its services (ratings) exceeds specified satisfaction goals." It is seen as a key performance indicator within business and is often part of a Balanced Scorecard. In a competitive marketplace where businesses compete for customers, customer satisfaction is seen as a key differentiator and increasingly has become a key element of business strategy (Hayes 2008).

Work done by Zeithaml et al. (1996) and Cronin and Taylor (1992) provides the basis for the measurement of customer satisfaction with a service by using the gap between the customer's expectation of performance and their perceived experience of performance. This provides the measurer with a satisfaction "gap" which is objective and quantitative in nature. They propose the "confirmation/disconfirmation" theory of combining the "gap" as two different measures (perception and expectation of performance) into a single measurement of performance according to expectation. Avkiran (1994) developed a utilitarian multidimensional instrument to measure retail branch banking customers' service quality perceptions supported by Zeithaml et al. (1996). The model consists of four dimensions and 17 items used to measure bank service quality. The author concluded that staff conduct, credibility, communication, and access to teller services were the most important dimensions to measure bank service quality.

Customers' perception has become an enduring research agenda in banking. The most relevant and interesting suggestions were drawn from the study of Owen and Othman (2001) regarding the development of service quality and perception of the customers towards Islamic banking. They surveyed the customers of a finance house and tested famous service quality model, "CARTER"². Gan et al. (2006) investigates the relationship between bank customer switching behavior, loyalty and customer satisfaction. Their study examines the impact of five service quality dimensions (convenience, reliability, features and facilities, staff who deliver the service and tangibles) on customer satisfaction. Their results support the view of a positive relationship between customer satisfaction, perceived value, and customer behavioral intentions.

Brady and Cronin (2001) proposed a hierarchical model to conceptualize service quality perceived by customers in service environment. In the process of developing their model, the authors view that service quality perceptions are multilevel and multidimensional in nature. They also include the view of service quality perception that is based on interaction quality (service delivery/fictional quality), outcome quality (service

product/technical quality), and physical environment quality (service environment). They found that the service quality construct conformed to the structure of a third-order factor model that consisted of three primary dimensions: interaction quality, environmental quality, and outcome quality. Each of the primary dimensions consisted of three corresponding sub-dimensions: (a) interaction quality: attitude, behavior, and expertise; (b) physical environment quality: ambient conditions, design, and social factors; and (c) outcome quality: waiting time, tangibles, and valence. The empirical result confirmed use of the hierarchical structure to conceptualize service quality.

Methodology

The main objective of conducting this research is to analyze and compare the satisfaction level of conventional and Islamic bank customers residing in Dhaka city, the capital of Bangladesh. This was done by measuring the perceived level of satisfaction of the customers with the 41 variables in seven distinct areas of customer sensitivity (Appendix 1). Both primary and secondary data analysis and pertinent literature review was made to conduct the study. An initial exploratory research has been conducted, along with extensive brainstorming to have an idea about the current scenario of the existing two banking systems namely, Islamic and conventional in Bangladesh. This exploration along with the brainstorming supported by the secondary sources (include reports related to the topic, Journal articles and other publications) helped in identification of the variables of the study.

Primary data were collected by means of questionnaire survey. The sample consists of 147 conventional banking and 103 Islamic banking respondents. A non-probabilistic convenience sampling technique was followed to get the responses of the bank clients. Pretesting was conducted with 10 respondents before finalization of the questionnaire. To collect data from the required respondents, 6 different banks (both Islamic and conventional) across Dhaka city were visited, where on-the-spot surveys (convenience sampling) were conducted. Descriptive statistics (Index number, Mean, Standard deviations, t-test, etc.) were mainly used for data analysis. A 7-point Likert scale (1: least satisfied, 7: Most satisfied) is used to find out customer satisfaction for comparison. The detailed analysis and comparison with respect to these parameters are described below.

Findings and Analysis

Satisfaction with respect to specific parameters

The satisfaction level of conventional and Islamic bank customers was tested by measuring the perceived level of satisfaction of the customers with the 41 identified variables using a 7-point Likert scale (1: least satisfied, 7: Most satisfied). These

variables are grouped into seven parameters, such as, (1) Compliance and strictness, (2) Management & efficiency, (3) Islamic product offering, (4) Product range & quality services, (5) Accessibility and convenience, (6) Environment, facilities and comfort, and (7) Risk and return. The detailed analysis and comparison with respect to these parameters are described below:

1. Compliance and strictness

The response regarding the parameter compliance and strictness is measured by eight (8) variables (Table 1). As noted the Islamic bankers are found to be more satisfied with the compliance of the rules and regulations (5.10 versus 4.43). As noted the Islamic bankers maximum satisfaction is with maintenance of confidentiality (5.57) and bank's management (5.57). They are also quite satisfied with rigidity of rules and regulations (5.30). For rest of the variables the customers are a little satisfied. On the other hand the conventional bank customers are more or less indifferent regarding their satisfaction level, except maintenance of confidentiality (4.98), where they have shown a little satisfaction.

Table 1: Index Values for Compliance and Strictness Variables

Variables	Conventional Banks		Islamic Banks	
	Mean	St. Dev.	Mean	St. Dev.
1. Rigidity of rules and regulations	4.47	1.16	5.30	1.01
2. Flexibility about loan repayment	4.06	1.30	4.94	1.14
3. Level of credit worthiness requirements	4.45	1.38	4.99	1.16
4. Strictness of default provisions	4.15	1.21	4.79	1.26
5. Maintenance of confidentiality by the bank	4.98	1.38	5.57	1.23
6. Confidence in the bank's management	4.87	1.20	5.57	1.20
7. Minimum amount loaned	4.05	1.39	4.72	1.06
8. Maximum amount loaned	4.40	1.27	4.91	1.19
Overall	4.43	0.35	5.10	0.34
Note: 1. Mean indices are in a 7-point Likert scale (1: least satisfied, 7: most satisfied), 2. All the variable means are different at 5% level of significance.				

2. Management and efficiency

With respect to management and efficiency it appeared that the Islamic bank customers are significantly more satisfied with their banks (5.13 vs. 4.48). Except for efficiency of counter services, Islamic bankers' satisfaction level is significantly higher than the conventional bankers. It is found that the Islamic bank customers are more satisfied with behavior of employees (5.55), knowledge of customer's business (5.31), service by the management team (5.19) and efficiency of transactions (5.18). For rest of the variables the customers are a little satisfied. On the other hand the conventional bank customers are more or less indifferent regarding their satisfaction level, except behavior of employees (4.63), efficiency of transactions (4.61) and service by the management team (4.56), where they have shown a little satisfaction.

Table 2: Index Values for Management and Efficiency Variables

Variables	Conventional Banks		Islamic Banks	
	Mean	St. Dev.	Mean	St. Dev.
1. Efficiency of counter services*	4.56	1.45	4.72	1.25
2. Efficiency of transactions	4.61	1.56	5.18	1.21
3. Efficiency of document processing	4.26	1.48	4.96	0.99
4. Knowledge of customer's business	4.36	1.21	5.31	1.30
5. Service by the management team	4.56	1.33	5.19	1.17
6. Service by the customer service team	4.35	1.32	4.99	1.10
7. Behavior of employees	4.63	1.31	5.55	1.21
Overall	4.48	0.15	5.13	0.27

Note: 1. Mean indices are in a 7-point Likert scale (1: least satisfied, 7: most satisfied), 2. All the variable means except asterisk (*) one are different at 5% level of significance.

3. Islamic product offering

It is true that only the Islamic banks are supposed to offer sharia based banking services. But in many cases the conventional banks also open the Islamic bank windows or some other forms of Islamic banking services to attract the customers interested in sharia based banking. As expected the Islamic bank customers are found much more satisfied regarding product offering by the Islamic bank (5.32 vs. 3.70). As noted the Islamic bank customers are comparatively less satisfied with provision of profit-sharing investment (4.90).

Table 3: Index Values for Islamic Product Offering Variables

Variables	Conventional Banks		Islamic Banks	
	Mean	St. Dev.	Mean	St. Dev.
1. Provision of Islamic products and services	3.86	1.28	5.61	1.38
2. Compliance with Islamic Shariah	3.40	1.28	5.44	1.52
3. Provision of profit-sharing investment	3.83	1.06	4.90	1.18
Overall	3.70	0.26	5.32	0.37

Note: 1. Mean indices are in a 7-point Likert scale (1: least satisfied, 7: most satisfied), 2. All the variable means are different at 5% level of significance.

4. Product range and quality services

Regarding product range and quality services it appeared that Islamic banks are doing comparatively better (4.80 vs. 4.20). As noted the corresponding variable indices for Islamic banks are higher than the conventional bank indices, but the individual indices reflects rather indifference perception regarding satisfaction level, especially for the conventional bankers.

Table 4: Index Values for Product Range and Quality Services Variables

Variables	Conventional Banks		Islamic Banks	
	Mean	St. Dev.	Mean	St. Dev.
1. Range of available financial products	4.56	1.18	4.93	1.24
2. Quality of financial products	4.37	1.34	4.98	1.06
3. Availability of financial advice	4.01	1.40	4.99	1.38
4. Quality of financial advice	4.05	1.43	4.79	1.30
5. Availability of foreign correspondence	4.06	1.39	4.71	1.31
6. Provision of global network	4.15	1.49	4.74	1.47
Overall	4.20	0.22	4.86	0.12

Note: 1. Mean indices are in a 7-point Likert scale (1: least satisfied, 7: most satisfied), 2. All the variable means are different at 5% level of significance.

5. Accessibility and convenience

The parameter accessibility and convenience is measured by 8 variables. As noted (Table 5) the Islamic bankers are found much more satisfied than the conventional bankers (5.30 vs. 4.51). The conventional bankers' individual satisfaction regarding the variables is found to be more or less indifferent.

Table 5: Index Values for Accessibility and Convenience Variables

Variables	Conventional Banks		Islamic Banks	
	Mean	St. Dev.	Mean	St. Dev.
1. Convenience of branch locations	4.76	1.52	5.45	1.43
2. Number of branches	4.75	1.47	5.22	1.55
3. Uniformity of services in all branches	4.46	1.29	5.27	1.30
4. Access to current banking related information	4.79	1.30	5.37	1.41
5. Access to past banking related information	4.15	1.41	5.23	1.31
6. Ease of opening an account	4.48	1.48	5.13	1.22
7. Minimum balance to open a new account	4.45	1.55	5.29	1.33
8. Convenience of working hours	4.23	1.55	5.44	1.37
Overall	4.51	0.24	5.30	0.11
Note: 1. Mean indices are in a 7-point Likert scale (1: least satisfied, 7: most satisfied), 2. All the variable means are different at 5% level of significance.				

6. Environment, facilities and comfort

With respect to environment, facilities and comfort the customer satisfaction level is also falling behind for conventional banks. As noted with respect to all the variables the Islamic bank customers are more satisfied than the conventional bank customers (5.25 vs. 4.81). Regarding the satisfaction of the variables, "facilities of the bank" and "cleanliness of the banking environment", the response is found not to be different at 5% level of significance.

Table 6: Index Values for Environment, Facilities and Comfort Variables

Variables	Conventional Banks		Islamic Banks	
	Mean	St. Dev.	Mean	St. Dev.
1. Facilities of the bank, e.g., ATM, number of counters, etc.*	4.90	1.629	5.14	1.555
2. Cleanliness of the banking environment*	5.25	1.427	5.51	1.136
3. Seating/Waiting provision of the bank	4.45	1.433	5.01	1.309
4. Overall interior comfort of branches	4.70	1.444	5.42	1.125
5. Use of technology	4.77	1.61	5.16	1.30
Overall	4.81	0.29	5.25	0.21

Note: 1. Mean indices are in a 7-point Likert scale (1: least satisfied, 7: most satisfied), 2. All the variable means except asterisk (*) one are different at 5% level of significance.

7. Risk and return

Finally, regarding risk and return a similar response is observed. With respect to this parameter the Islamic bank customers are found more satisfied but to a lesser degree. Except the variable risk of depositing money in the bank (5.24), the Islamic bankers are not found to be very satisfied with other variables, i.e., Overall Service charge (4.85), Average rate of return (4.82), Average interest paid on loans (4.84). On the other hand the conventional bankers are a little dissatisfied with Average rate of return (3.76) and Average interest paid on loans (3.67). Regarding Overall Service charge (4.08) they are found indifferent and regarding risk of depositing money in the bank (4.79) they are found to be not very optimistic.

Table 7: Index Values for Risk and Return Variables

Variables	Conventional Banks		Islamic Banks	
	Mean	St. Dev.	Mean	St. Dev.
1. Risk of depositing money in the bank	4.79	1.362	5.24	1.317
2. Overall service charge	4.08	1.490	4.85	1.147
3. Average rate of return	3.76	1.263	4.82	1.080

4. Average interest paid on loans	3.67	1.228	4.84	1.302
Overall	4.08	0.51	4.94	0.20
Note: 1. Mean indices are in a 7-point Likert scale (1: least satisfied, 7: most satisfied), 2. All the variable means are different at 5% level of significance.				

Overall Satisfaction

The response regarding “overall satisfaction” by the Islamic and conventional bankers is found to be 5.26 and 4.44 respectively. This shows very clearly that the Islamic bankers are more satisfied with the services provided by their banks in comparison to the same of the conventional bankers. The study also conform this response made by the two groups when calculated on the basis of the mean scores of the individual variables and overall parameter the study. The mean index values for overall customer satisfaction for the Islamic and conventional banks are found to be 5.19 and 4.32 respectively.

Top Ranking Variables According to Level of Satisfaction

Islamic banks

Table 8 shows the perceived satisfaction level of the customers for the top 10 variables. As noted most of the variables are very closely ranked (5.37-5.57). The customers are found to emphasize the parameters compliance & strictness, management & efficiency, Islamic product offering, accessibility & convenience and environment, facilities & comfort. Regarding the parameter compliance & strictness, the clients are found to emphasize equally the variables *maintenance of confidentiality by the bank* (5.57) and *confidence in the bank's management* (5.57). The parameter management & efficiency is only highlighted by the variable *behavior of employees* (5.55). The level of satisfaction regarding the Islamic product offering is found highest for the variable *provision of Islamic products and services* (5.61) and *Compliance with Islamic Shariah* (5.44). Accessibility & convenience is focused by *convenience of branch locations* (5.45), *convenience of working hours* (5.44) and *access to current banking related information* (5.37). Environment, facilities & comfort is found to be highlighted with variables *cleanliness of the banking environment* (5.51) and *overall interior comfort of branches* (5.42).

Table 8: Top 10 Variables with respect to Satisfaction Level of Islamic Bank Customers

Parameters	Variables	Islamic Banks	
		Mean	Rank
Compliance & Strictness	1. Maintenance of confidentiality by the bank	5.57	2
	2. Confidence in the bank's management	5.57	2
Management & Efficiency	3. Behavior of employees	5.55	4
Islamic Product Offering	4. Provision of Islamic products and services	5.61	1
	5. Compliance with Islamic Shariah	5.44	7
Accessibility & Convenience	6. Convenience of branch locations	5.45	6
	7. Access to current banking related information	5.37	10
	8. Convenience of working hours	5.44	7
Environment, Facilities & Comfort	9. Cleanliness of the banking environment	5.51	5
	10. Overall interior comfort of branches	5.42	9

Note: 1. Mean indices are in a 7-point Likert scale (1: least satisfied, 7: most satisfied)

Conventional banks

For conventional banking, the 10 variables with the highest perceived means are related to parameters compliance & strictness, accessibility & convenience, environment, facilities & comfort, and risk & return (table 9). The parameter compliance & strictness is highlighted by *maintenance of confidentiality by the bank (4.98)* and *confidence in the bank's management (4.87)*. For accessibility & convenience the respondents focused *access to current banking related information (4.79)*, *convenience of branch locations (4.76)* and *number of branches (4.75)*, indicating that conventional banking customers have a high level of satisfaction regarding the accessibility and convenience of their banking system. Several variables are related to environment, facilities & comfort factor including *cleanliness of the banking environment (5.25)*, *facilities of the bank (4.90)*, *use of technology (4.77)*, and *overall interior comfort of branches (4.70)*. The respondents highlighted the most the variable *risk of depositing money in the bank (4.79)* from the parameter risk and return.

Table 9: Top 10 Variables with respect to Satisfaction Level of Conventional Bank Customers

Parameters	Variables	Conventional Banks	
		Mean	Rank
Compliance & Strictness	1. Flexibility about loan repayment	4.06	2
	2. Confidence in the bank's management	4.87	4
Accessibility & Convenience	3. Convenience of branch locations	4.76	8
	4. Number of branches	4.75	9
	5. Access to current banking related information	4.79	5
Environment, Facilities & Comfort	6. Facilities of the bank, e.g., ATM, number of counters, etc.	4.90	3
	7. Cleanliness of the banking environment	5.25	1
	8. Overall interior comfort of branches	4.70	10
	9. Use of technology	4.77	7
Risk & Return	10. Risk of depositing money in the bank	4.79	5
Note: 1. Mean indices are in a 7-point Likert scale (1: least satisfied, 7: most satisfied)			

Least Satisfied Variables According to Level of Satisfaction

The satisfaction level of the two groups of bank customers showed some interesting results. It is found that the Islamic bank customers minimum satisfaction level in a scale of 1 – 7 (1: highly dissatisfied, 7: highly satisfied) is 4.71, which is above the indifferent level (4). But for the conventional bank customers the minimum satisfaction level is found to be 3.40 and a number of them have a value below the indifferent level of satisfaction (Table 10). As can be noted the least satisfied variables for conventional bankers are mainly from the parameters compliance & strictness, Islamic product offering, environment, facilities & comfort, and risk & return. It is understandable that the variables related to Islamic Product Offering will get a low ranking as the conventional banks are not very strong in offering Islamic products. But most worrying figures are related to risk and return. The respondents' showed their dissatisfaction with average interest paid on loans (3.67) and average rate of return (3.76). The index values for other low ranked variables are a little above the indifferent level.

Table 10: Least Satisfied Variables with respect to Satisfaction Level of Conventional Bank Customers

Parameters	Variables	Conventional Banks	
		Mean	Rank
Compliance & Strictness	1. Flexibility about loan repayment	4.06	9
	2. Minimum amount loaned	4.05	7
Islamic Product Offering	3. Provision of Islamic products and services	3.86	5
	4. Compliance with Islamic Shariah	3.40	1
	5. Provision of profit-sharing investment	3.83	4
Environment, Facilities & Comfort	6. Availability of financial advice	4.01	6
	7. Quality of financial advice	4.05	7
	8. Availability of foreign correspondence	4.06	9
Risk & Return	9. Overall service charge	4.08	10
	10. Average rate of return	3.76	3
	11. Average interest paid on loans	3.67	2

Conclusion and Recommendations

This study, although not all-encompassing, does provide some valuable insight into the customers' minds and their views on both conventional and Islamic banking systems of Bangladesh. Although both of the banking systems have come a long way and provide services to a large number of people, customer satisfaction and customer centricity needs to be reemphasized and reconsidered into their corporate strategies so as to provide increasingly better service in the future. As an intangible service, banking is heavily affected by satisfaction levels of its customers. Irrespective of the system, if satisfaction levels are low it will affect the overall growth of the industry.

The "overall satisfaction" of the Islamic and conventional bankers very clearly showed that the Islamic bankers are more satisfied with the services provided by their banks in comparison to the same of the conventional bankers. The study also noted that the Islamic bank customers are significantly more satisfied in comparison to the conventional bank customers in all the seven parameters - compliance and strictness, management & efficiency, Islamic product offering, product range & quality services, accessibility and convenience, environment, facilities and comfort, and risk and return – considered for the survey.

Customers are and will remain the driving force behind the prosperity of the banking sector. And as such, customer satisfaction is of paramount importance when it comes to the banking service. It is seen from the analyses that convenience, comfort and cleanliness are determining factors when it comes to satisfaction levels of conventional banking customers, whereas, among Islamic banking customers compliance with Islamic shariah was a very important factor along with convenience, comfort and confidence. Another interesting point to be noted here is that the mean satisfaction level of conventional banking customers are lower than that of Islamic banking customers, which means there is room for improvement.

The perceived satisfaction level of the Islamic bank customers for the top 10 variables are found to emphasize the parameters compliance & strictness, management & efficiency, Islamic product offering, accessibility & convenience and environment, facilities & comfort. Regarding the parameter compliance & strictness, the clients are found to emphasize equally the variables *maintenance of confidentiality by the bank and confidence in the bank's management*. The parameter management & efficiency is only highlighted by the variable *behavior of employees*. The level of satisfaction regarding the Islamic product offering is found highest for the variable *provision of Islamic products and services* and *compliance with Islamic Shariah*. Accessibility & convenience is focused by *convenience of branch locations, convenience of working hours and access to current banking related information*. Environment, facilities & comfort is found to be highlighted with variables *cleanliness of the banking environment and overall interior comfort of branches*.

For conventional banking, the 10 variables with the highest perceived means are related to parameters compliance & strictness, accessibility & convenience, environment, facilities & comfort, and risk & return. The parameter compliance & strictness is highlighted by *maintenance of confidentiality by the bank and confidence in the bank's management*. For accessibility & convenience the respondents focused *access to current banking related information, convenience of branch locations and number of branches*, indicating that conventional banking customers have a high level of satisfaction regarding the accessibility and convenience of their banking system. Several variables are related to Environment, Facilities & Comfort factor including *cleanliness of the banking environment, facilities of the bank, use of technology, and overall interior comfort of branches*.

Banks, like any other service-providing industry must consistently put efforts into offering more convenient and cost-effective services which customers will value.

Redesigning and introducing new and better elements of services which customers' value will be the key determinants to their levels of satisfaction.

Notes

- 1 The basic principle in the Shariah (Islamic Canon Law) is that exploitative contracts based on interest or usury and speculation should be unenforceable. These laws are derived from three sources: the Quran, the Hadith, and the Sunnah.
- 2 Carter model has six quality and perception dimensions, explicitly, "C" for compliance, "A" for assurance, "R" for reliability, "T" for tangibles, "E" for empathy and "R" for responsiveness.

References

- Ahmad, A.U.F. and Ahmad, A.B.R. (2008), "Islamic Banking: A Case Analysis from Bangladesh", paper presented at *Islamic Finance Symposium - Islamic Banking and Finance: Ethics and Financial Practice in Global Perspective*, Melbourne, Australia, November 20, 2008.
- Ahmad, N. and Haron, S. (2002), "Perceptions of Malaysian Corporate Customers towards Islamic Banking Products & Services", *International Journal of Islamic Financial Services*, Vol. 3, No 4.
- Ahmed, S. A. (2000), "Global Need for A New Economic Concept: Islamic Economics", *International Journal of Islamic Financial Services*, Vol. 1 No.4.
- Ahmed, E., Rahman, Z. and Ahmed, R. I. (2006), "Comparative analysis of loan recovery among Nationalized, Private and Islamic Commercial Banks of Bangladesh", *BRAC University Journal*, III (1), 35.
- Alam, M. N. (2000), "Islamic Banking in Bangladesh: A Case Study of IBBL", *International Journal of Islamic Financial Services*, Vol. 1, No. 4.
- Ali, M. M., and Sarker, A. A. (1996), "Islamic Banking: Concept, Features and Operational Methodology", *Thoughts on Economics*, Vol. 5, No. 3 &4, pp. 27-59.
- Avkiran, N. K. (1994), "Developing an Instrument to Measure Customer Service Quality in Branch Banking", *International Journal of Bank Marketing*, Vol. 12, No. 6, pp. 10- 18.
- Avkiran, N. K. (1999), "Quality Customer Service Demands Human Contact", *International Journal of Bank Marketing*, Vol. 17, No. 2, pp. 61-71.
- Bahia k., & Nantel J. (2000), "A Reliable and Valid Measurement Scale for the Perceived Service Quality of Banks", *International Journal of Bank Marketing*, pp. 4-91.
- Brady, Michael K. and Cronin, J. Joseph (2001), "Customer Orientation: Effects on Customer Service Perceptions and Outcome behaviors", *Journal of Service Research*, Vol. 3, No. 3, pp. 241-253.
- Cronin, J. Joseph, Jr. and Taylor, Steven A. (1992), "Measuring Service Quality: A Reexamination and Extension", *Journal of Marketing*, Vol. 56, No. 3, July 1992, pp. 55-68.

- Dusuki, A. W., & Abdullah, N. I. (2007), "Why do Malaysian customers patronize Islamic banks?" *International Journal of Bank Marketing*, 25(3), 142-160.
- Erol, C., Kaynak, E. and El-Bdour, R. (1990), "Conventional and Islamic banks: patronage behavior of Jordanian customers", *International Journal of Bank Marketing*, Vol. 24, No. 6, p. 25.
- Fornell, C. (1992), "A National Customer Satisfaction Barometer: The Swedish Experience", *Journal of marketing*, Vol. 56 (January), pp. 6-21.
- Gan, C., Clemes, M., Limsombanchai, V., and Weng, A. (1996), A Logit Analysis of Electronic Banking in New Zealand, *International Journal of Bank Marketing*, Vol. 8, No. 4, p. 360.
- Gerrard, P. and Cunningham, J.B. (1997), "Islamic banking: a study in Singapore", *International Journal of Bank Marketing*, Vol. 15, No 6, pp. 204-216.
- Hayer, Bob E. (2008), *Measuring Customer Satisfaction and Loyalty*, 3rd ed., American Society for Quality, Milwaukee, USA.
- Iqbal, M. (2001), "Islamic and Conventional Banking in the Nineties: A Comparative Study", *Islamic Economic Studies*, Vol. 8, No. 2.
- Khan, M. S., Hassan, M. K., & Shahid, A. I. (2010), "Banking Behavior of Islamic Bank Customers in Bangladesh", *Journal of Islamic Economics, Banking and Finance*, pp. 159-194.
- Naser, K., Jamal, A. and Al-Khatib, L. (1999), "Islamic banking: a study of customer satisfaction and preferences in Jordan", *International Journal of Bank Marketing*, Vol. 17 No. 3, pp. 135-50.
- Owen, L. and Othman, A. Q. (2001), "Conventional Versus Islamic Finance: Student Knowledge and Perception in the United Arab Emirates", *International Journal of Islamic Financial Services*, Vol. 5, No. 4.
- Rashid, M., Hassan, M. K., & Ahmad, A. U. (2008), Quality Perception of the Customers towards Domestic Islamic Banks in Bangladesh. *Journal of Islamic Economics, Banking and Finance*, Volume 5, No. 1, 109-131.
- Samad, Abdus (2004), "Performance of interest-free Islamic banks vis-a-vis interest based conventional banks of Bahrain", *Journal of Economics and Management*, Vol. 12, No. 2, pp. 115-129.
- Sarker, M. A. A. (1999), "Islamic Banking in Bangladesh: Performance, Problems & Prospects", *International Journal of Islamic Financial Services*, Vol. 1, No.3.
- Yavas, U., Bigin, Z., & Shenwell, D. (1997), "Service quality in the banking sector in an emerging economy: a consumer survey", *International Journal of Banking Marketing*, Vol. 15, No. 6, pp. 217-223.
- Zeithaml, Valerie A., Leonard L. Berry and A. Parasuraman (1996), "The Behavioral Consequences of Service Quality", *Journal of Marketing*, Vol. 60, No. 2, April 1996, pp. 31-46.

Appendixes

Appendix 1: List of Independent Variables

Parameters	Variables
1. Compliance & Strictness (8)	1. Rigidity of rules and regulations
	2. Flexibility about loan repayment
	3. Level of credit worthiness requirements
	4. Strictness of default provisions
	5. Maintenance of Confidentiality by the bank
	6. Confidence in the Bank's management
	7. Minimum amount loaned
	8. Maximum amount loaned
2. Management & Efficiency (7)	9. Efficiency of Counter services*
	10. Efficiency of transactions
	11. Efficiency of Document processing
	12. Knowledge of customer's business
	13. Service by the management team
	14. Service by the customer service team
	15. Behavior of employees
3. Islamic Product Offering (3)	16. Provision of Islamic products and services
	17. Compliance with Islamic Shariah
	18. Provision of profit-sharing investment
4. Product Range & Quality Services (6)	19. Range of available financial Products
	20. Quality of financial Products
	21. Availability of financial advice
	22. Quality of Financial Advice
	23. Availability of foreign correspondence
	24. Provision of global network

5. Accessibility & Convenience (8)	25. Convenience of branch locations
	26. Number of branches
	27. Uniformity of services in all branches
	28. Access to current banking related information
	29. Access to past banking related information
	30. Ease of opening an account
	31. Minimum balance to open a new account
	32. Convenience of working hours
6. Environment, Facilities & Comfort (5)	33. Facilities of the bank, e.g., ATM, number of counters, etc.*
	34. Cleanliness of the banking environment*
	35. Seating/Waiting provision of the bank
	36. Overall interior comfort of Branches
	37. Use of Technology
7. Risk & Return (4)	38. Risk of Depositing money in the bank
	39. Overall Service charge
	40. Average rate of return
	41. Average interest paid on loans
Overall	Overall Satisfaction