

Customers Awareness and Satisfaction of Islamic Banking Products and Services: Evidence from the Kuwait Finance House (Note 1)

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Abstract

The objective of this study is to explore the levels of customer awareness and satisfaction with Islamic financial products and services offered by the Kuwait Finance House (KFH). The attempt is also made to identify reasons behind dealing with the KFH. To achieve these objective, 650 questionnaires were distributed during the period between 15 April and 15 May 2011 to the KFH customers and 429 returned completed. The results of the questionnaire analysis revealed that a significant proportion of the KFH customers are not aware of many of the products currently on offer. The respondents are relatively satisfied with almost all aspects of the KFH, although some work needs to be done to improve the appearance, architecture, internal design and furniture of the bank. They also expect an increase in the parking facilities and to train staff to handle transactions over the phone. The respondents indicated that they deal with the KFH for its name and image, its guaranteed confidentiality, its trusted management and Sharia'h Supervisory Committee. The respondents also demonstrated that they hold accounts in Islamic and commercial banks to diversify their investments.

Keywords: customers awareness and satisfaction, Islamic banks, Kuwait Finance House

1. Introduction

Although the idea of Islamic banking goes back to the early 1970s, the importance of the Islamic banking system had been fully recognized during and after the financial crisis that struck the world economy at the end of 2008 and the beginning of 2009. The Islamic banks were among the least affected by the crisis. This was mainly due to the sound financial policy and risk management adopted by the Islamic banks. The success that Islamic banks have achieved has been reflected by their reported profits. The success, however, has not coincided with an increase in the Islamic banks market share. According to Naser and Mountinho (1997), Islamic banks are facing competition not only from other Islamic banks but also from conventional banks; bearing in mind that many conventional banks are currently providing Islamic financial services through what is referred to as "*Islamic windows*".

Even though the Islamic banking system is different from the conventional banking system in that the former abolishes dealing with interest and the latter is mainly based on interest, there are still some similarities between the two systems. The main objective of each banking system is to achieve economic development and growth. Both systems offer facilities such as: transfer and opening of current accounts, letters of credits, letters of guarantees, credit cards, travelers cheques, investment in securities, remittances, safe deposits boxes and commissions and fees on banking services. According to Naser et al (1999), competition intensifies when banks offer more or less similar products and services. Under this environment, customer satisfaction becomes a crucial factor in gaining a greater market share that would result in a better competitive position and would ultimately improve performance. Therefore, it is important to assess the level of customer satisfaction of an Islamic bank operating in an Islamic country where Islamic and conventional banks operate side by side. Naser et al. (1999) argue that assessing customers' satisfaction of an Islamic bank operating in an Islamic country raises two main question: first: what motivates customers to deal with an Islamic rather than a conventional bank? Second: what is the level of customer satisfaction? Subsequently, the purpose of this study is to identify the level of customer awareness and satisfaction towards KFH. KFH was established in Kuwait in 1977 to be the first bank operating

in accordance with the Islamic Sharia'h principles. KFH is the second largest (after Al-Rajhi Banking Investment Company in Saudi Arabia) Islamic banks on the GCC countries with total assets exceeding \$48 billion in 2011.

Looking at the financial figures in the annual reports of the Islamic and conventional banks operating in Kuwait and summarized in Table 1, it is evident that KFH is mainly ranked number two among the Islamic and commercial banks in terms of assets, deposits and the amount of the reported profit. For the last few years, KFH has been ranked first among the Islamic banks in Kuwait and second after Al-Rajhi Banking Investment Company among Islamic banks in the Arab Gulf countries.

Table 1. Financial Indicators of the Kuwaiti commercial and Islamic banks at the end/ for the year 2011 (million US \$)

Bank	Assets	Deposits	Net Profit	Return on Equity
National Bank of Kuwait	48,929.92	39,890.99	1,090.32	13.01
Gulf Bank	17,184.71	15,021.49	109.95	7.12
Commercial Bank of Kuwait	13,336.91	11,276.54	3.06	0.15
Burgan Bank	16,344.05	13,421.73	206.74	11.30
Al-Ahli Bank of Kuwait	11,058.64	9,068.04	180.74	10.25
Industrial Bank of Kuwait	<u>2,343.82</u>	<u>478.07</u>	<u>30.15</u>	<u>4.04</u>
Total	<u>109,198.05</u>	<u>89,156.86</u>	<u>1,620.96</u>	<u>10.00</u>
Average	18,199.68	14,859.48	270.16	7.65
Kuwait Finance House	48,330.22	31,892.04	133.23	6.22
Kuwait International Bank	4,015.73	2,493.77	38.93	5.22
Boubyan Bank	<u>5,572.03</u>	<u>4,317.56</u>	<u>28.51</u>	<u>3.29</u>
Total	<u>57,917.98</u>	<u>38,703.37</u>	<u>200.67</u>	<u>2.78</u>
Average	19,305.99	12,901.12	66.89	4.91
Total Commercial & Islamic	167,116.03	127,860.23	1,821.63	
Percentage of Islamic/ Total	34.66	30.20	11.02	

The choice of the KFH in the current study stems from the fact that this bank was the first Islamic bank to be established in Kuwait and one of the first Islamic banks to be established in the Middle East. It has also made significant growth in the last few years. Its total assets increased from \$15,915.80 million in 2005 and reached \$48,330.22million in 2011 (increase by more than triple). In addition, within the same period customers' deposits in the bank increased from \$10,843.77 million to \$31,892.04 million in (increase by more than triple). Hence, exploring customers awareness and satisfaction of a successful Islamic financial institution like Kuwait Finance House is expected to assist similar institutions within the same industry in Kuwait and other Middle Eastern countries in formulating their future marketing strategies. Thus the main purpose of this study is to explore the level of customer awareness and satisfaction of KFH. In line with Naser et al. (1999) and Jamal and Naser (2003), the study is set out to find answers to the following research questions.

- **Research Question 1:** What are the customers' reasons behind dealing with an Islamic bank only?
- **Research Question 2:** What are the customers' reasons behind dealing with Islamic and commercial bank?
- **Research Question 3:** What are the levels of customer awareness of some of the Islamic banking products and services?
- **Research Question 4:** What are the levels of customer satisfaction with different aspects of an Islamic bank?

The remainder of the study will be organized as follows. The literature related to customer satisfaction will be reviewed in section two. The study methodology will be described in section three. While the findings are reported in section four, the conclusion is offered in the last section.

2. Literature Review

Customer satisfaction measures whether a product or a service provided by a supplier meets or exceeds customer's expectation. Kotler (2000) defined satisfaction as the pleasure or disappointment a person may feel as a result of comparing the perceived performance of a product (or outcome) in relation to his or her expectations. Similarly, Hoyer and MacInnis (2001) stated that satisfaction is connected with feelings of acceptance, happiness,

relief, excitement, and delight. Hansemark and Albinsson (2004) described satisfaction as an emotional reaction to the difference between what customers anticipate and what they receive, regarding the fulfillment of some need, goal or desire. Eshghi, Haughton and Topi (2007) contended that customers' satisfaction assists in building brand names and achieving long and profitable relation with customers. Deng et al. (2009) indicated that the ability of a service provider to achieve high degree of satisfaction is crucial for product differentiation and developing strong relationship with customers.

In a competitive environment, customer satisfaction is viewed as being a crucial element in the firm's strategy. The firm needs to retain existing customers and target new ones. Customer satisfaction, loyalty and retention determine the success of an organization. Soderlund and Rosengren (2008) demonstrated that friendly attitude and courteous behavior of service firm's employees create positive impression and lead to customer satisfaction. East (1997) demonstrated that customers repeat the purchase of a product or a service if they are satisfied with it. Richens (1983) and File and Prince (1992) believe that it is possible that satisfied customers will tell others about their experience with the product/ service and they might engage in word of mouth advertising. Naser et al. (1999) described customer satisfaction as the essence of success in a highly competitive market.

In a major part of the literature related to customer satisfaction, attention was paid to the classical confirmation/disconfirmation" paradigm of satisfaction where the level of customer satisfaction from a service or product is determined by the difference between the customer's expectation and the customer's actual experience (Woodruff et al., 1991; Goode & Moutinho, 1995; Davis & Heineke, 1998). According to the confirmation model, satisfaction is reached by meeting a customer's expectations (Oliver, 1989; East, 1997). On the other hand, disconfirmation model considers satisfaction from a product or a service as an outcome of two cognitive variables: pre-purchase expectations and disconfirmation. According to Peter and Olsen (1996) re-purchase expectations are predicting product or service performance; whereas, disconfirmation is the difference between pre-purchase expectations and post-purchase experience.

Kanning and Bergmann (2009) contend that the confirmation/ disconfirmation model of satisfaction presents conceptual problems such as the ambiguity surrounding the notion of expectations, uncertainty about exceeding expectations, the failure to take into account the absolute levels of expectations- performance and giving the same importance to the expectation and performance. These problems become more evident when measuring customer satisfaction in the services sector. Services are intangible, heterogeneous, inspirable and perishable (Lovelock, 1996). Zeithmal and Bitner (1996) indicated that services have different characteristics than physical products. As a result of this, Legg and Baker (1996) believe that the customer will find it difficult to identify his/her expectations before and after paying for the service. In addition, Zeithmal (1981) believes that the intangible nature of the service makes it difficult to the customer to assess the quality of the service. Furthermore, Naser et al. (1999) revealed that services "exist in real time". They are consumed as soon as the service is rendered to the customer. Satisfaction/ dissatisfaction is likely to occur at the time when the service is rendered to the customer. Hence, Alford and Sherrell (1996) considered services to be low in search qualities and high in credence and experience. Search qualities have been described by Zeithaml and Binter (1996) as the quality characteristics that the customer can identify before rendering the service; whereas, experience quality can be only identified during or after rendering the service. Credence qualities are those qualities that the customer may face difficulties in identifying, even after the service has been rendered. In this context, Mishra et al. (2010) showed that service offered by the banks are high in credence quality since it is difficult to assess them with high level of confidence immediately after the service is offered. Devlin (2001) believes that a long period of time may be needed to assess the quality of services offered by the bank and this makes it difficult to measure and ascertain customer satisfaction. Yet, Naser et al (1999) disclosed that customer satisfaction with the service is related to its quality. Cronin and Taylor (1992) ascertain that service quality is important to customer satisfaction. Dusuki and Abdullah (2007) stressed that Islamic banks should not rely solely on Islamic factors in their strategy to attract and retain customers. They must also work on improving the service quality and efficiency. However, Oliver (1989) emphasized that service quality is important, but not equivalent to customer satisfaction. Cronin and Taylor (1992) described service quality as an attitude that has been formulated from comparing expectations with performance. Naser et al. (1999) unveiled that service quality is a multidimensional rather than one dimensional construct. Lewis (1993) revealed that service quality has many dimensions relating to both core and augmented service offerings. Parasuraman et al (1985, 1988) referred to a number of service quality dimensions such as: reliability, tangibility, responsiveness, assurance and empathy.

Researchers such as Parasuraman et al. (1991), McDougal and Levesque (1994) and Levesque and McDougal (1996), referred to the core outcome and the relational process aspect of the service as being the most important dimensions of service quality. While Parasuraman et al. (1991) relates reliability to the outcome of the service,

he relates tangibility, responsiveness, assurance and empathy to the delivery process of the service. In all cases, researchers such as Cronin and Taylor (1992), Rust and Oliver (1994) and Mishra et al (2010) pointed out that although the idea of service quality has been heavily researched in the last three decades, until now the idea is not conceptualized. Hence, service quality varies with researchers. However, researchers including Parasuraman *et al.* (1985, 1988) showed that the most common definition of service quality is the customer's perception of service excellence. Customers form perceptions about the service quality on the basis of service performance that they have experienced in the past. Mishra et al. (2010) claim that service quality is dependent on the customer's perception of the service.

As far as customer satisfaction in the banking sector is concerned, the sector is experiencing intensive competition resulting from the increased number of players who joined the market including supermarkets and mutual organizations. The revolution in information technology, where the world is increasingly becoming a small village, also contributed to intensive competition. As a result, customer satisfaction is becoming a crucial factor not only in determining the bank's performance but also in ensuring its survival. Consequently, this forces the banks to pay more attention to customer satisfaction and customer retention than ever before (File & Prince, 1992; Nicholls et al., 1993; Good et al., 1996; Levesque & McDougall, 1996; Good & Moutinho, 1995; 1996; Naser et al., 1999; Jamal & Naser, 2003; Hanif et al., 2010). Intensive competition is evident in a small country like Kuwait where it hosts 16 domestic, regional and foreign banks (The banks are: National Banks of Kuwait, Gulf Bank of Kuwait, Commercial Bank of Kuwait, Al Ahli Bank of Kuwait, The Bank of Kuwait and Middle East, Kuwait International Bank, Burgan Bank, Kuwait Finance House, Boubyan Bank, Bank of Bahrain and Kuwait, Industrial Bank of Kuwait, United Gulf Bank, Credit and Saving Bank, HSBC Kuwait, BNP Paribas Kuwait and Citibank). In addition, Kuwait is hosting a variety of sophisticated customers. Within this competitive environment, the focus of the bank's strategy should be on customer satisfaction and customer retention. This can be achieved through contentiously offering improved quality of existing products and through offering new products and services.

On the other hand, Levesque and McDougall (1996) expect that the bank selection criteria to influence customer satisfaction towards the bank. Several studies have been conducted to identify reasons behind selecting a specific bank (Tan & Chua, 1986; Laroche & Taylor, 1988; Erol & El-Bdour, 1989; Erol et al., 1990; Denton & Chan, 1991; Kaynak et al., 1991; Khazeh & Decker, 1992; Levesque & McDougall, 1996; Ahmad & Haron, 2002; Abbas et al., 2003; Jamal & Naser, 2003; Dushuki & Abdullah, 2007; Rashid & Hassan, 2009; Khattak & Rehman, 2010). The reasons and the importance of the factors that influence bank selection vary from one study to another. These studies pointed to factors such as: religion and confidence in the Sharia'h supervisory committee in case of Islamic banks, profitability, advice from friends or relatives, safety and security, effective on line service, location, low service charges, effectiveness in accomplishing transactions, the range of facilities and services on offer, quality of advice offered by the bank's personnel, bank reputation and confidence in the bank management. In Islamic banking, compliance with Islamic the Sharia'h principles was among the most important reasons behind choosing an Islamic bank (Erol et al., 1990; Kader, 1993; Haron et al, 1994; Metawa & Almossawi, 1998; Naser et al., 1999; Ahmad & Haron, 2002; Jamal & Naser, 2003). Levesque and McDougall (1996) found that the bank customer satisfaction is influenced by the service quality, bank location, competitiveness of the bank's interest rate and skills of the bank's personnel. Their study emphasized that unsatisfied customers would negatively affect customers readiness to recommend the service to other customers. This will result in switching to other banks.

Bank location has been reported as an important factor in the selection of the bank in several studies including Anderson et al. (1976), Laroche & Taylor (1988) and Khattak & Rehman (2010). However, bank location was not among the most important factors that influence the selection of the bank in several studies (Tan & Chua, 1986; Naser et al., 1999). Tan and Chua (1986) found that the bank courteous staff to be the most important reason behind the bank selection in Singapore. Other researchers reported a significant correlation between the bank selection and the ability of the bank in making good use of the customer's investment (Rashid & Hassan, 2009). Other researchers reported that the selection of the bank is influenced by factors such as number of branches and ATMs and their location, speed of completing transactions, good financial advice, caring employees (Erol & El-Bdour, 1989; Erol et al., 1990; Omer, 1992; Haron et al., 1994; Gerrard & Cunningham, 1997; Mettawa & Almossawi, 1998; Naser et al., 1999; Ahmad & Haron, 2002; Abbas et al., 2003; Jamal & Naser, 2003; Khattak & Rehman, 2010).

A different line of research referred to what is called demographic factors and their effect on the bank selection. In this respect, Rashid and Hassan (2009) indicated that the effect of customers' demographic factors will motivate banks to develop new marketing strategies. They investigated the effect of demographic groupings such

as gender, age, marital status and educational qualification on bank selection. They found that while male, unmarried, undergraduate and young customers attach high importance to bank efficiency (speed in completing transactions and documentations, management efficiency, staff knowledge of customer's business) when selecting the Islamic bank, females, married postgraduate and relatively old customers attach high importance to core banking (basic banking services, marketing programs and uniformity of the services on offer). Part of the results reported by Rashid and Hassan (2009) has been reached by Kaynak et al. (1991) who found that bank selection in Turkey is influenced by customer's gender, age and education. Kaynak et al. (1991) found that when selecting a bank, male customers attach more importance than female customers to factors such as the bank reputation and image, working hours, parking facilities, the offered range of products and services, speed of completing transactions, financial counseling, ability to pay utility bills and recommendations from friends and relatives. They also found the choice of the bank is affected by the bank location for customers below 40 years. They further found that customers with primary education pay less attention than those with secondary education to factors such as speed of transactions completion, friendliness of the bank personnel, credit availability and location when selecting the bank.

3. Study Methodology

3.1 Data Collection

To provide answers to the above mentioned research questions, a questionnaire similar to that used by Naser et al. (1999) and Jamal and Naser (2003) written in both languages Arabic and English was distributed randomly to 650 customers of KFH in the morning and afternoon sessions in branches located in Head Office, Alfayha, Aldajeej, Hawali, Rehab, Kuwait City, Hawali-Beirut Complex, Plaza Mall, next to AUK, Alqurain, Sabah Alsalem Area, and Shamiya during the period between 15 April and 15 May 2011.

The choice of the period of distribution was based on the fact that too many customers would visit the bank at this time of the year before leaving the country for the summer vacation. 464 questionnaires returned completed. After entering the questionnaire in an SPSS file and conducting initial analysis, 35 participants indicated that they do not have accounts or deal with the KFH or any other Islamic bank (see Table 1). Hence, these participants were excluded from further analysis since they are not in a position to give objective opinion about KFH. This reduced the sample to 429 participants, resulting in 66% usable response rate.

3.2 Statistical Tools

Descriptive statistics will be used to analyze the questionnaire and to provide information about the respondents' backgrounds. Descriptive statistics were also used to identify the mean reasons behind dealing with an Islamic bank or dealing with Islamic and conventional banks. Descriptive statistics were also used to measure the Level of the respondents' satisfaction of different aspects of the Islamic bank. In addition to descriptive statistics, The Kruskal Wallis test was undertaken to test whether the respondents' characteristics affect the level of satisfaction that they attach to different aspects of Islamic banking.

4. Findings

Before conducting any statistical tests, a Cronbach's Alpha reliability test was undertaken to measure the internal consistency of the respondents' answers. The Alpha coefficient of the items included in the questionnaire was 0.943. This is relatively high since a reliability coefficient of 0.70 or higher is considered acceptable in social science research.

4.1 Participants Background

Table 2 presents background descriptive statistics about the participants in the questionnaire survey. It is evident from the table that a significant proportion of the participants (67%) are between 20 and 40 years of age. Almost the same percentage of the participants (69%) are Kuwaiti citizens. The table also showed that 65% of the participants in the questionnaire survey are males. According to World Development Indicators published by the World Bank (2010), females represent 40% of the total population of Kuwait. The sample is, therefore, a true representation of the country's total population. More than half of the participants indicated that they held Bachelor degree or more. Kuwait appeared in 2010 among the countries that achieved high human developed. It was ranked 47 out of 169 countries. According to UNDP, Human Development Report, Published in November 2010. Most of the participants completed their last academic qualifications (83%) either in Kuwait or other Arab countries. Yet, 11% of the participants indicated they completed their last academic qualification in UK, USA and other European country. This was mainly among those who completed Masters and PhDs. The table also revealed that more than 50% of the participants earn between KD 1,000 and KD 3,000 per month (\$3,500- \$10,000). More than 90% of the participants specified that they hold accounts either with Islamic or

with Islamic and commercial banks for more than 4 years. Finally, the participants showed that are currently occupying different posts. This would give more diversity and credibility to the result of the analysis.

Table 2. Respondents' informational background

	Frequency	Percent	Cumulative Percent		Frequency	Percent	Cumulative Percent
Age				Nationality			
Less than 20 Years	39	8.4	8.4	Kuwait	319	68.8	68.8
20-30 Years	159	34.3	42.7	Other GCC Country	32	6.9	75.6
31-40 Years	152	32.8	75.4	Other Arab Country	79	17.0	92.7
41-50 Years	64	13.8	89.2	Islamic Non-Arab Country	13	2.8	95.5
51-60 Years	38	8.2	97.4	Asian Non-Muslim	7	1.5	97.0
More than 60 Years	12	2.6	100.0	Others	14	3.0	100.0
Gender				Bank in which the account is held			
Male	302	65.1	65.1	Islamic	278	59.9	59.9
Female	162	34.9	100.0	Conventional	35	7.5	67.5
Education level				Islamic & Conventional	151	32.5	100.0
Below Secondary	22	4.7	4.7	Monthly Salary			
Secondary	71	15.3	20.0	Less than KD 1,000	206	44.4	44.4
Diploma	101	21.8	41.8	KD 1,001- KD 2,000	118	25.4	25.4
Bachelor	211	45.5	87.3	KD 2,001- KD 3,000	117	25.2	25.2
Masters	47	10.1	97.4	KD 3,001- KD 4,000	12	2.6	2.6
PhD	12	2.6	100.0	KD 4,001- KD 5,000	7	1.5	1.5
Country from which Last academic degree obtained				More than KD 5,000	4	.9	.9
Kuwait	271	58.4	58.4	Current post			
Other Arab Country	113	24.4	82.8	Self Employed	29	6.3	6.3
UK	15	3.2	86.0	Banker	101	21.8	28.0
Other European Country	8	1.7	87.7	Investor	19	4.1	32.1
USA	29	6.3	94.0	School Teacher	11	2.4	34.5
Others	28	6.0	100.0	University Lecturer	9	1.9	36.4
Number of years dealing with an Islamic bank				Company Manager	21	4.5	40.9
Less than one Year	43	10.0	10.0	Student	56	12.1	53.0
1-3 Years	52	12.1	22.1	Financial Manager	16	3.4	56.5
4-6 Years	71	16.6	38.7	Journalist	3	.6	57.1
More than 6 Years	263	61.3	100.0	Lawyer	15	3.2	60.3
Number of years dealing with Islamic & commercial banks				Accountant	33	7.1	67.5
Less than one Year	20.0	23.2	13.2	Others	151	32.5	100.0
1-3 Years	17.0	11.3	24.5				
4-6 Years	28.0	18.5	43.0				
More than 6 Years	86.0	57.0	100.0				

4.2 Respondents Awareness of Products and Services Offered by Islamic Banks

A previous study conducted by Gerrard and Cunningham (1997) showed that Muslim customers in Singapore are not aware of some Islamic financial products such *ijara*, *mudaraba* and *musharaka*. Naser et al. (1999) explained this result on the grounds that the study was undertaken in a non Islamic country. Yet, in their study undertaken in an Arab and Islamic country, Jordan, a significant proportion of those who took part in their survey Naser et al. (1999) indicated they are not aware of many of the Islamic financial products. For example, 47% stated that they are not aware of *ijara*, 41% are not aware of *musharaka*, 35% are not aware of *ijara whaktina* and 27% are not aware of *musana*. On the other hand, Khattack and Ur-Rehman (2010) revealed that Islamic banks' customers in Pakistan are aware of the Islamic banks products and services but they do not use them. In the current study, nine Islamic financial products have been included in the questionnaire and the KFH customers were asked to indicate whether they are aware of them, whether they are aware of them and use them, and whether they are aware of them but do not use them. The result of the respondents' answers is summarized in Table 3. It is obvious from the table that a major proportion of the respondents are not aware of many of the Islamic financial products. More than 50% of the respondents revealed that they are not aware of the products *bai beslom* and *musana*. More than 40% also revealed that they are not aware of products such as *bai bethaman ajel*, *mudaraba*,

musharaka and *ijara waktina*. On the other hand, a considerable proportion of the respondents demonstrated that they are aware of *murabah* and they are using it. This is not surprising since most of the activities of Islamic banks are conducted in the form of *murbaha* and mainly in trading cars. The result may indicate that Islamic banks are not active enough in familiarizing customers with various products being offered. They should use the revolution in information technology to promote their products instead of relying on one product, namely *murabaha*. *Ijara* can be a major product in financing real states and housing sector. In addition, since many of the Gulf Arab countries are working on diversifying their economies to become less reliant on oil exports, the Islamic banks can play an active role in the development of the industrial sector through *musana*. Within the current environment characterized with stiff competition, it is vital for the Islamic bank not to rely on one or two products and promote new products. The result is in line with similar work undertaken by Doraisamy et al (2011) and Rustam et al. (2011) who found that Islamic banks customers are partially aware of various Islamic banks products and services. It is important to mention that Kuwaitis, as committed muslims, are familiar with most Islamic banks products and services. Many customers might feel that there is no need to make use of all of these products and services. The country has one of the highest per capita income in the world and houses there are financed by the government. They also have enough liquidity to buy real estate and properties and start their own businesses without going through arrangements like *musharaka* or *Ijara*. Hence, the living standard level of the Islamic country is a major determinant of customers awareness and use of the Islamic banks products and services.

4.3 Reasons Behind Dealing with Islamic Banks

The respondents were asked to specify the level of their agreement with a number of possible reasons that motivate them to deal with an Islamic bank. Analysis of their answers is summarized in Table 3. The respondents showed a relatively high level of agreement with almost all the reasons listed in the questionnaire except for the profitability reason as reflected by the reported means and medians. The respondents, however, stated that confidentiality is the most important factor behind dealing with the Islamic bank followed by the bank reputation. The respondents also assigned a high level of agreement to bank credibility, confidence in the bank Sharia'h Supervisory Committee and confidence in bank's management. On the other hand, the respondents attached a relatively low level of agreement with reasons such as profitability, advice from relatives and friends and low service charges. The result of the analysis is partially consistent with similar research conducted by Naser et al. (1999) in Jordan where they found that the most important reason that motivates Jordanian customers to deal with the Islamic Bank of Jordan is the bank's reputation. However, this result is inconsistent with Rustam et al. (2011) who found in their study that Islamic banks customers deal with the Islamic bank due to religious and economic reasons. This might be due to the fact that the study was undertaken in Pakistan and almost all banks there are operating according to the Islamic principles. Yet, while the Kuwaiti customers indicated that profit and return on investment do not have a major effect on their decision to deal with the Islamic bank, Jordanian customers stressed that they attach a relatively high level of importance to these factors. This result is justified on the grounds that the average monthly income of the participants in Naser et al (1999) and Rustam et al. (2011) surveys were relatively very low in comparison with the average income of the participants in this survey. High monthly income gives the Kuwaiti customers the opportunity to have other investments and their investment in the Islamic bank might count for a small proportion of their income. However, the Jordanian and Pakistani customers' investment in the Islamic bank might form a significant proportion of their income. Hence, they attach high level of importance to profitability reasons than their Kuwaiti counterparts.

Table 3. Reasons behind dealing with an Islamic bank

	Mean	Std. Dev.	Min.	Max.	Rank (Based on Mean)
Religious reasons only	3.54	1.53	1.00	5.00	14
Profitability reasons (high return on investment) only	2.88	1.39	1.00	5.00	21
Religious and profitability Reasons	3.53	1.34	1.00	5.00	15
Advice from relatives	3.29	1.38	1.00	5.00	20
Advice from friends	3.37	1.39	1.00	5.00	19
Last financial crisis proved it is safer to deal with Islamic banks	3.71	1.33	1.00	5.00	10
Effective online service	3.65	1.18	1.00	5.00	11
Effective SMS service	3.73	1.21	1.00	5.00	9
Bank credibility	3.95	1.17	1.00	5.00	3

Confidentiality	4.02	1.12	1.00	5.00	1
Location of bank branches	3.82	1.20	1.00	5.00	7
Low service charges	3.44	1.29	1.00	5.00	18
Bank effectiveness in completing transactions	3.49	1.22	1.00	5.00	17
Wide range of facilities offered by the bank	3.61	1.18	1.00	5.00	13
Quality of advice offered by the bank's personnel	3.51	1.21	1.00	5.00	16
Bank reputation	3.96	1.12	1.00	5.00	2
Confidence in the bank's Management	3.84	1.16	1.00	5.00	5
Confidence in the bank's Sharia'h Supervisory Committee	3.90	1.17	1.00	5.00	4
Social and friendly features of bank's personnel	3.63	1.24	1.00	5.00	12
The Islamic bank offers the same facilities as offered by a commercial bank but Islamic bank also observes Sharia'h Principles	3.83	1.27	1.00	5.00	6
The Islamic bank offers the same facilities as offered by a commercial bank but Islamic bank also observes Sharia'h Principles	3.82	1.20	1.00	5.00	7

4.4 Reasons Behind Dealing with Both Commercial and Islamic Banks

It is a common practice in many Arab countries which host both conventional and Islamic systems of banking to see customers dealing with both systems. This phenomenon is worth investigating, given that commercial banks do not comply with the Islamic Sharia'h principles. The participants in the questionnaire survey were provided with a list of reasons that might explain why they deal with both commercial and Islamic banks and asked to express their level of agreement with each of them. Analysis of the responses is reported in Table 4. It is obvious from the table that the respondents attached a relatively high degree of agreement with the reason that they deal with both commercial and Islamic banks in order to diversify their investment. Needless to say that the Kuwaiti society is divided between those who are religious and liberals. We expect religious customers to deal only with Islamic banks. Whereas, liberal customers are easy about the choice of banks. Hence, they are expected to deal with both the Islamic and the conventional banking systems. Unlike results appeared in Naser et al. (1999) and showed that the respondents in their survey deal with Islamic and commercial banks in order to gain access to a wide range of products and services, more branches and to benefit from more opening hours. It seems to be that Kuwaiti customers are dealing with specific Islamic product, mainly *murabaha*, and are not interested in any other products offered by the Islamic banks. Unlike Jordanian banks, commercial banks as well Islamic banks mainly have the same working hours in Kuwait due to the weather conditions. Hence, opening hours are not a relevant factor for Kuwait's customers. The same can be applied to branches since most of the banks, whether commercial or Islamic, have many branches in Kuwait. This might not be the case in Jordan.

Table 4. Reasons behind dealing with commercial and Islamic banks

	Mean	Median	Std. Dev.	Min.	Max.	Rank (Based on Mean)
The Islamic bank does not offer some of the products (facilities) offered by a commercial bank	2.68	3.00	1.41	1.00	5.00	3
The Islamic bank does not offer many of the products (facilities) offered by a commercial bank	2.59	2.00	1.32	1.00	5.00	4
Opening hours of the Islamic bank are limited	2.50	2.00	1.38	1.00	5.00	5
Opening two accounts gives me the opportunity to diversify my investment	3.16	3.00	1.43	1.00	5.00	1
Both types of banks have a limited number of branches and opening two accounts gives access to more branches	2.74	3.00	1.59	1.00	5.00	2

4.5 Level of the Respondents' Satisfaction with Different Aspects of the Islamic Bank

Customer satisfaction is a crucial factor in the bank's attempt to achieve customers' retentions and to attract new customers. Therefore, it was vital to explore the KFH customers' level of satisfaction about different aspects of the bank. The result of the respondents' answers appears in Table 5. What attracts attention in Table 5 is that the respondents showed a relatively high level of satisfaction with almost all items included in the questionnaire except for items related to parking facilities, architecture, internal design, the bank's furniture, efficiency in handling problems on the phone, and advertising existing products. The result is documented by the reported means and medians. Although the result is consistent with what Naser et al. (1999) reported in that the Islamic bank has a weakness in handling problems on the phone and does not provide enough parking space, the

respondents were inconsistent on the level of satisfaction that they attach to the bank's architecture, interior design and furniture. The result is justified on the grounds that, in average, Kuwaiti customers spends more time in the bank branch more than Jordanian customers due to sub-cultural differences. Due to close relationship between Kuwaitis, it is possible that they talk to bank staff about issues not related to the bank activities. They might stay in the branch and have coffee with the branch manager. Hence, they put emphasis on the bank appearance and interior design. Whereas in Jordan, customers spend a short period of time and the visit is restrict to the specific transaction. Hence, they do not pay too much attention to the bank's architecture, interior design and furniture. In addition, due to the standard of living of the Kuwaiti customers, almost all customers drive to the bank. Hence, the bank should provide them with a parking facilities. Whereas, in other Arab countries like Jordan, customers are expected to walk to their banks. Yet, the respondents expressed the highest levels of satisfaction with factors such as availability of funds, confidentiality, confidence in the Sharia'h Supervisory Committee, bank's name and image and confidence in bank's management. Part of the result is consistent with Naser et al (1999) who reported that the respondents are highly satisfied with the bank's name and image and customer confidentiality. What attracts one's attention in the current study is that the respondents' highest level of satisfaction was assigned to availability of funds in the Islamic bank. This result points to important features of the banking system and customer habits in Kuwait. Kuwaiti banks as well as other Gulf banks do not face liquidity problems as other banks in Jordan or other Arab countries. Kuwaitis borrow from the Islamic banks under *murabah* arrangement to pay for cars and other goods. The high level of satisfaction attached to factors such as Sharia'h Supervisory Committee, bank's name, image and management is explained by the Kuwaiti culture. Unlike other Arab countries, Kuwait runs "*diwaniyah*". Diwaniyah is an indispensable feature of a Kuwaiti man's social life. As a social event, a diwaniyah takes place in special room or annex, which is usually, separate from the rest of man's house. Diwaniyah is used to exchange business ideas, discuss political and religious issues. Hence, Diwaniyah plays a vital role in promoting specific banks, management and in assessing the credibility of Sharia'h Supervisory Committee. It is important to mention that women diwaniyah is spreading among a group of liberal and very educated Kuwaiti women.

Table 5. Level of the respondents' satisfaction of different aspects of the Islamic bank

	Mean	Median	Std. Dev.	Min.	Max.	Rank (Based on Mean)
Advice given by the bank personnel	3.65	4.00	1.45	1.00	2.00	8
The proficiency of bank personnel	3.61	4.00	1.48	1.00	3.00	9
Degree of qualification of the bank personnel	3.58	4.00	1.07	1.00	5.00	13
Confidence in the Sharia'h Supervisory Board Committee	3.89	4.00	1.12	1.00	5.00	3
Confidence in bank's management	3.75	4.00	1.13	1.00	5.00	5
The cost of the services offered by the bank	3.52	4.00	1.15	1.00	5.00	15
Number of branches	3.71	4.00	1.15	1.00	5.00	6
Opening hours	3.60	4.00	1.22	1.00	5.00	11
Efficiency and speed in completing a transaction	3.59	4.00	1.15	1.00	5.00	12
Customer confidentiality	3.97	4.00	0.99	1.00	5.00	2
The wide range of the facilities offered	3.66	4.00	1.10	1.00	5.00	7
Bank's name and image	3.86	4.00	1.13	1.00	5.00	4
Staff sociability and friendliness	3.61	4.00	1.18	1.00	5.00	9
Suitability of the furniture	3.37	3.00	1.89	1.00	33.00	19
Parking facilities provided to customers	3.06	3.00	1.36	1.00	5.00	23
Efficiency in handling problems on the phone	3.28	3.00	1.30	1.00	5.00	22
The architectural design of the bank	3.30	3.00	1.20	1.00	5.00	21
The internal layout of the Bank	3.31	3.00	1.23	1.00	5.00	20
Advertising of existing Products	3.47	3.00	1.22	1.00	5.00	18
Advertising new products	3.55	4.00	1.18	1.00	5.00	14
Counseling provided	3.50	3.00	1.15	1.00	5.00	17
Availability of funds	4.04	4.00	2.14	1.00	4.00	1
Service charge on cheques	3.52	4.00	1.20	1.00	5.00	15

4.6 The Effect of the Respondents' Characteristics Their Level of Satisfaction

To test whether the respondents' characteristics affect the level of satisfaction that they attach to different aspects of Islamic banking, the Kruskal Wallis test was undertaken. Kruskal-Wallis test is a nonparametric test

(distribution free) used to compare three or groups of sample data. It is used as a substitute to ANOVA data analysis that assumes each of the groups is normally distributed. The effect of the respondents' age, gender, nationality, income, academic qualification, country from which the last qualification has been obtained, current occupation and type of bank account held are all tested. The result of the test is summarized in Table 6. The test revealed that respondents' age, nationality and income have no significant effect on the level of satisfaction that they attach to various aspects of the KFH. On the other hand, significant differences in the respondents' level of satisfaction with various aspect of KFH appeared due to characteristics such gender, academic qualification, country from which the last academic qualification obtained, occupation, and the type of bank accounts that they possess. This result is partially consistent with work conducted by Khan et al. (2008) who reported income and education as the most significant factors that influence customers' usage of various Islamic bank products/services. Difference in the level of satisfaction due to gender appeared in connection with the parking facilities, internal layout of the bank and the counseling provided. This result is justifiable since many females in Kuwait drive their cars on their way to the bank. They expect to find parking facilities close to the bank to prevent them from walking in the street in difficult weather conditions and to avoid some sort of harassment from teenagers. Internal layout and counseling are also important to women in a conservative country like Kuwait since they are looking for a bank which protects their privacy and will provide them with space to discuss their financial issues at a high level of confidentiality.

Differences also appeared due to the academic qualifications of the respondents about the wide range of facilities offered by the KFH and staff sociability and friendliness. Once again this result is understandable. Customers at different academic levels are expected to look for different range of products. For example, customers who are either school or university students are looking for current accounts. Those who recently completed an undergraduate degree might look for current and saving accounts since they use money to start families, buy and furnish houses. Those who completed postgraduate degrees are expected to be very well established and start looking for different Islamic financial products like *murabah*, *mudarab* and others. Sociability and friendliness of the staff also should vary. Bank staff are expected to be more patient with school and university students than those who obtained high academic degrees since they lack experience of dealing with banks.

An additional difference appeared in respondents answers due to the country from which they obtained their last academic qualification. In Table 2, the respondents showed they studied in Kuwait, other Arab countries, UK, USA, other European countries and others. This means that they have different banking experience and they compare such experience with what they receive from the KFH. It is, therefore, justifiable to find differences in levels of satisfaction of those who obtained academic degrees from USA and European universities and those who obtained their degrees from Arab countries. Needless to say that the level of education and the country of academic qualification are both contribute to the respondent's occupation.

Finally, the bank account that the respondents have (whether with Islamic or with Islamic and commercial bank) seems to influence their level of satisfaction. This result is not surprising since those who have two accounts will be in a position to compare various aspects of the banks. Hence, their level of satisfaction will be different than who have only one account.

Table 6. Kruskal Wallis test

	Age		Gender		Nationality		Income		Academic Qualification		Country last qualification obtained		Current Post		Bank the account hold	
	χ^2	Sig	χ^2	Sig	χ^2	Sig	χ^2	Sig	χ^2	Sig	χ^2	Sig	χ^2	Sig	χ^2	Sig
Advice given by the bank personnel	6.65	0.25	2.57	0.11	2.07	0.84	6.84	0.23	4.40	0.49	5.40	0.37	14.70	0.20	1.07	0.30
The proficiency of bank personnel	5.40	0.37	1.19	0.28	1.33	0.93	6.50	0.26	6.50	0.26	6.92	0.23	12.96	0.30	1.63	0.20
Degree of qualification of the bank personnel	5.53	0.36	2.97	0.09	0.85	0.97	6.28	0.28	4.09	0.54	2.72	0.74	12.92	0.30	0.15	0.70
Bank management	5.90	0.32	3.92	0.05	0.25	1.00	7.45	0.19	7.59	0.18	5.90	0.32	10.08	0.52	0.01	0.92
Confidence in the Sharia'h Supervisory Board Committee	6.79	0.24	1.31	0.25	1.58	0.90	1.27	0.94	3.13	0.68	15.92	0.01	13.07	0.29	0.73	0.39
Confidence in bank's management	3.22	0.67	0.22	0.64	1.46	0.92	3.40	0.64	5.29	0.38	9.79	0.08	9.20	0.60	0.16	0.69

The cost of the services offered by the bank	1.79	0.88	4.81	0.03	3.82	0.58	3.84	0.57	5.10	0.40	11.58	0.04	13.34	0.27	0.78	0.38
Number of branches	1.91	0.86	0.03	0.87	7.10	0.21	7.20	0.21	5.64	0.34	20.21	0.00	19.77	0.05	10.19	0.00
Opening hours	4.85	0.43	0.89	0.35	4.60	0.47	2.37	0.80	6.62	0.25	17.67	0.00	8.87	0.63	8.74	0.00
Efficiency and speed in completing a transaction	0.99	0.96	2.94	0.09	2.16	0.83	5.59	0.35	4.67	0.46	13.49	0.02	11.74	0.38	1.18	0.28
Customer confidentiality	7.49	0.19	0.19	0.66	3.55	0.62	3.00	0.70	8.41	0.14	2.27	0.81	6.82	0.81	0.97	0.33
The wide range of the facilities offered	8.63	0.13	2.91	0.09	9.95	0.08	5.89	0.32	17.57	0.00	19.02	0.00	13.96	0.24	5.76	0.02
Bank's name and image	2.43	0.79	0.67	0.42	4.11	0.53	7.55	0.18	6.05	0.30	12.82	0.03	22.19	0.02	11.17	0.00
Staff sociability and friendliness	3.68	0.60	5.08	0.02	6.60	0.25	3.14	0.68	12.20	0.03	13.99	0.02	17.03	0.11	1.19	0.28
Suitability of the furniture	1.55	0.91	1.48	0.22	1.73	0.89	0.24	1.00	9.55	0.09	3.74	0.59	18.18	0.08	2.40	0.12
Parking facilities provided to customers	8.92	0.11	6.76	0.01	3.04	0.69	2.83	0.73	2.94	0.71	4.74	0.45	15.55	0.16	2.29	0.13
Efficiency in handling problems on the phone	2.55	0.77	8.67	0.00	3.25	0.66	4.48	0.48	6.23	0.29	3.65	0.60	11.74	0.38	0.17	0.68
The architectural design of the bank	2.84	0.73	1.95	0.16	0.67	0.99	5.62	0.35	4.52	0.48	9.44	0.09	7.32	0.77	0.59	0.44
The internal layout of the Bank	3.21	0.67	4.10	0.04	0.29	1.00	5.56	0.35	7.49	0.19	8.98	0.11	12.30	0.34	1.80	0.18
Advertising of existing Products	3.35	0.65	1.11	0.29	1.64	0.90	2.06	0.84	6.83	0.23	17.23	0.00	15.92	0.14	3.06	0.08
Advertising new products	1.74	0.88	0.39	0.53	6.28	0.28	6.82	0.24	5.84	0.32	8.83	0.12	17.54	0.09	0.57	0.45
Counseling provided	8.87	0.11	4.26	0.04	5.26	0.39	2.37	0.80	2.48	0.78	11.81	0.04	13.15	0.28	0.02	0.90
Availability of funds	6.16	0.29	0.01	0.93	4.67	0.46	5.38	0.37	9.49	0.09	8.67	0.12	23.10	0.02	0.24	0.62
Service charge on cheques	4.97	0.42	0.02	0.89	5.21	0.39	5.03	0.41	5.13	0.40	13.26	0.02	10.93	0.45	0.38	0.54

5. Conclusion

Although the idea of Islamic banking started around the middle of the last century, the Islamic banking system spread during the 1970(s) due to increase in oil prices of the Arab Gulf oil exporting countries and emergence of some Islamic movement calling for return to Islamic values. Consequently, many Islamic banks established in the Arab Gulf region where KFH was among them. KFH has been expanding and it is now becoming one of the largest Islamic banks in the region. It is currently ranked the second largest among the Islamic banks in the GCC countries and the 9th largest bank among GCC commercial and Islamic banks. The ranking is based on total assets in 2011. Al-Rajhi Banking & Investment Company is the only Islamic banks larger than Kuwait Finance House. Commercial and Islamic banks larger than Kuwait Finance House are: Qatar National Bank, The National Commercial Bank, Emirates NBD, National Bank of Abu Dhabi, Al-Rajhi Banking & Investment Company, Samba Financial Group, Abu Dhabi Commercial Bank and National Bank of Kuwait. It was, therefore, important to explore the level of the KFH customers' awareness of different Islamic financial products and services and the level of satisfaction that they attach to various aspects of Islamic banking. During the period between 15 April and 15 May 2011, a questionnaire was distributed to 650 customers of the KFH and 429 returned completed; resulting in 66% usable response rate. The result of the questionnaire analysis showed that almost 35 years after establishing the KFH, customers are still unaware or not using many of the Islamic finance products and services. This requires more efforts from the bank's management to familiarize its customers with all its existing products and services as well as introducing new products. The Islamic banks should move from just relying on *murbaha* arrangements to other products. Otherwise, Islamic banks will be viewed as financial institutions looking for profit and they only embark on profitable and less risky product. This might bring into question one of the main features of the Islamic banking system that distinguishes it from the commercial banking system, specifically risk taking. One of the criticisms directed towards the commercial banking system is that it charges a guaranteed interest whether the user of bank's money makes profit or sustained losses. Hence, the commercial bank is not taking any risk. Stiff competition is another reason why Islamic banks need to diversify their products and services and not rely on one profitably guaranteed product. Islamic banks are not only competing with other

Islamic banks, many commercial banks are now offering Islamic products through their Islamic windows. Within this competitive environment, Islamic banks cannot increase their market share by solely relying on one or a few products. Hence, Islamic banks need to do more work to familiarize customers with all existing products and to introduce new products all the time in order to increase their market share and to improve their position within the banking market.

The analysis also showed that the customers of the KFH are dealing with it not for profitability reasons but for the confidentiality, bank credibility, confidence in the Sharia'h Supervisory Committee and confidence in the bank's management. For those who have accounts in both Islamic and commercial banks, they do so in order to diversify their investment. The reasons the respondents used to justify dealing with the Islamic bank reflects the culture of the Arabs in general and the Gulf region in particular where they do not buy the product or service for its quality but for the quality of the person who is selling the product. For the Arabs in general, and the Arab Gulf region in particular, the quality of the product or the service is measured by the person who offers them. If the person is coming from a well known family that is described as being honest, they do not expect him to offer bad products. From the seller's side, he is not prepared to sacrifice this trust.

As for the level of customers satisfaction of various aspects of the KFH, the respondents express a relatively high levels of satisfaction with most of the aspects appeared in the questionnaire. However, attention needs to be made to the customers' cars parking facilities, advertisement of existing products, the architecture and appearance of the bank. The customers also indicated that the bank staff needs more training in handling problems on the phone. Although e-banking is widely spreading nowadays, many customers still find it more convenient to conduct banking transactions on the phone while driving their cars.

Finally, the results of the analysis pointed to some differences in the respondents' levels of satisfaction due to characteristics such as gender, nationality, income, academic qualification, country from which the last qualification has been obtained, current occupation and type of bank account held. The KFH needs to take all these characteristics into consideration when formulating its future marketing strategy.

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