Service Quality Perceptions between Cooperative and Islamic Banks of Britain

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Abstract: Problem statement: The objectives of this study were to determine mean comparison all 6 dimensions between Cooperative Bank (CB) and Islamic Bank of Britain (IBB) in Leicestershire, United Kingdom, to compare the ranking for CB and IBB based on the customers preference and lastly to identify the similarities between CB and IBB based on customer preference. **Approach:** A sample of retail banking customers from CB and IBB was surveyed through a set of questionnaires. The proposed scale is called SERVQUAL and comprises 33 items named 'CARTER' with six dimensions (Compliance, Assurance, Reliability, Tangible, Empathy and Responsiveness), which customized for suitability of CB and IBB. The data was analyzed based on SPSS. **Results:** The study indicated that the mean comparison for all 6 dimensions were compared and shown that the Compliance issues were very important for IBB customers, while the same cannot be mentioned for the CB customers, who gave more importance to Empathy and Responsiveness. On the other hand, the highest ranked between IBB and CB were found, where the customers of IBB chose No interest paid nor taken on saving and loan as a preferred items and CB customers more preferred to chose Run on ethical value as the highest rank. The results also demonstrated that the similarities were found where almost of the items in Assurance have a similar ranking in both of banks. **Conclusion/Recommendations:** Future research should be conducted with a big number of respondents to ensure the representative and conclusive finding. Next, the new research needs to increase a number of banks to obtain the good result.

Key words: Islamic bank of Britain, cooperative bank, SERVQUAL, CARTER

INTRODUCTION

At the present phenomenon in banking industry, the quality of service is less focused by the bankers. It is unfortunate that few local banks still provide poor services. For example the time allocated for every transaction is too long and there is a long queue for other people. Cronin and Taylor (1992) and Brown and Swartz (1989) cited that customer satisfaction and service quality are distinct but interrelated concept but this relationship is not clear. Therefore, it is undeniable that there are certain banks that can do their work faster than others, but the number of these banks is still small. Regarding quality, it is known that quality is sought by all organizations especially in the service sector. Two quite distinct meaning of quality are relevant in the service context. The first of these relates to the attributes which help to define the nature of a particular service and the second usage is a qualifier in assessing or measuring such an attribute (Nightingale, 1986; Lovelock and Wright, 2002; Zeithaml, 1996). Furthermore, Nightingale (1986) and Brown and Swartz (1989) stated that quality lies on the eyes of the beholder. So different people will hold a different perception towards the attribute of a service and regard different service characteristics as more or less desirable. This is definitely true for the banking sector and meanwhile their diversity, services are traditionally been difficult to define. Here are two approaches that capture the essence of the word. According to (Cronin and Taylor, 1992), they define service as:

- "A service is an act or performance offered by one party to another. Although the process may be tied

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to a physical product, the performance is essentially intangible and does not normally result in ownership of any of the factors of production"

- "Service are economic activities that create value and provide benefits for customers at specific times and places, as a result of bringing about a desired change in or on behalf of the recipient of the service"

Without good quality of services practiced, they will not be able to perform their work effectively. Therefore, Service can be simply defined as deeds, processes and performances (Parasuraman *et al.*, 1985). Many of the research on service quality have been carried out within the framework of the service quality model developed by the extensive research of Parasuraman *et al.* (1985; 1988; 1991). This research, thus, attempts to compare services provided in a Conventional Bank (CB) with an Islamic Bank of Britain (IBB). These two banks are chosen because they have their own privileges and characteristics. CB has its own ethical policy, but as a conventional bank, CB is allowed to receive and charge interest. IBB, on the other hand, is the first UK stand alone Sharia'h compliant bank, therefore it is prohibited in charging or receiving interest. Consequently, all the account and services are founded on mutually agreed share of profit (profit-sharing). These characteristics becomes more interesting in the search on how these two kind of banks differs its operation in order to give the best quality of services to their customers. The objectives of this study are to determine mean comparison all six dimensions between CB and IBB. The second objective is to compare the ranking for CB and IBB based on the customers preference. The third objective to identify the similarities between CB and IBB based on customer preference.

MATERIALS AND METHODS

Research design: The study can be categorized as a descriptive and inferential in nature whereby it describes the level of service quality of two banks, CB and IBB and the location is in Leicestershire, United Kingdom. This was done by using the SERVQUAL instrument in which customer's perceptions of CB and IBB service performance were compared. The questionnaires were distributed to the respondents concurrently and must be returned to the researcher within certain time frame. This is to ensure the accuracy and precision of the responses.

Table 1: Dimensions of consumer perceptions

Dimensions -'CARTER'	Statements
Compliance (C)	Statements 1-5
Assurance (A)	Statements 6-10
Reliability (R)	Statements 11-14
Tangible (T)	Statements 15-19
Empathy (E)	Statements 20-28
Responsiveness (R)	Statements 29-33

Data analysis method: For the purpose of this study, the researcher used the Statistical Software Package for Social Sciences (SPSS) to compute all the data gathered from the questionnaire. The techniques of analysis used in this study were descriptive analysis (frequency, counts, percentage and mean). In calculating the mean of SERVQUAL scores, the 'CARTER' model includes a 33 items instrument that was customized for the CB and IBB in reviewing the suitability of the original SERVQUAL instruments to both banks (Table 1).

RESULTS

Results present the findings of this study. It presents the finding from the SERVQUAL scores. The data is interpreted using the frequency and descriptive methods of SPSS.

Mean comparison: Mean comparison can be utilized to disclose the strength of respondents' answer to each items in each dimension included in the questionnaire. In other words, by finding the mean value for each item, we can infer respondents' preference strength. As we can see in Table 2, in the case of IBB, the compliance issues were given high priority ranking. All of the items, except item 4 (provision of free interest loans) has the highest mean values and occupy from rank 1 to rank 4. However, item 4 is ranked as 6th priority with a mean value of 3.96. The highest priority is given to item 2 (no interest was paid nor taken on savings and loans) with a mean value of 1.On the other hand, in the case of CB, compliance is less appreciated than in the IBB. Where the highest mean value is only indicate to only one item (run on ethical policy), However for the second and third rank is occupy to the items 29 (Way staff treat customer) and 30 (knowledge of customers business, or willing help) in the same dimension (responsiveness) which indicate 3.94 and 3.85 mean value respectively. In term of reliability the items is selected in various, where convenience (Short time for service anywhere) IBB mean value is 3.59 and CB mean value is 3.40 and in term of wide range of product, the mean value for IBB is 3.27 and for CB 3.43 and in term security of transactions mean value for IBB is 3.56 and CB is 3.40 and the last item is

Table 2: Mean values and ranking of the items in the six dimensions

Dimensions		Items	Average importance (IBB)	Ranking-IBB	Average important (CB)	Ranking-CB
Compliance	1	Run on Islamic law and principles (run on ethical policy)	4.09	3	4.10	1
	2	No interest paid nor taken on savings and loans (no investment on environmentally harmful business)	4.41	1	3.32	29
	3	Provision of Islamic products and services (no financial support for countries and companies with poor human rights record)	4.19	2	3.76	6
	4	Provision of free interest loans (customer oriented financial services)	3.96	6	3.62	13
	5	Provision of profit-sharing investment products (provision of all conventional banking and financial products)	4.04	5	3.29	31
Assurance	6	Politeness and friendly staff	4.05	4	3.72	9
	7	Provision of financial advice	3.67	15	3.53	15
	8	Interior comfort of Islamic bank of Britain	3.68	14	3.54	14
	9	Ease of access to account information	3.75	11	3.69	12
	10	Knowledgeable and experienced management team	3.57	20	3.34	28
Reliability	11	Convenience (short time for service anywhere)	3.59	19	3.40	24
	12	Wide range of products and services provided	3.27	30	3.43	23
	13	Security of transactions	3.56	22	3.40	24
	14	More tills open at peak time	3.65	16	3.46	21
Tangible	15	External appearance	3.72	13	3.81	4
	16	Speed and efficiency of transactions	3.64	17	3.75	7
	17	Opening hours of operations	3.77	9	3.78	5
	18	Counter partitions in bank and its branches	3.52	23	3.71	10
	19	Overdraft privileges on current accounts	3.29	29	3.45	22
Empathy	20	Bank location (easy to getting to the bank)	3.49	24	3.70	11
	21	Well known bank	3.17	31	3.53	15
	22	Bank size in assets capital	3.32	28	3.31	30
	23	Parking available	2.96	32	2.71	33
	24	Confidentiality of bank	3.77	9	3.50	18
	25	Confidence in banks management	3.80	7	3.74	8
	26	Products and service profitability	3.45	26	3.53	15
	27	Lower service charge	3.39	27	3.49	19
	28	Provisions of financial advices	3.48	25	3.47	20
Responsiveness	29	Knowledge of customers business or willing help	3.75	11	3.94	2
	30	Way staff treat customers	3.80	7	3.85	3
	31	Availability of credits on favorable terms	3.57	20	3.38	26
	32	Number of branches	2.87	33	2.85	32
	33	Fast and efficient counter services	3.61	18	3.37	27

Note: The questions in brackets in the first dimension is for the CB, as first dimension questions are not the same but reflects each banks' particular interest areas

more till opens at peak time where each bank have mean value 3.65 and 3.46 Moreover, as can be seen in the Table 2, the lowest mean value indicate the similarity between IBB and CB, where the lowest mean value for IBB is 2.87 (Number of branches) ranked 33, also in CB (Number of branches) is the less appreciated by customer where the mean value only indicate 2.85 ranked 32.

Comparing the ranking: After analyzing the differences in mean values in establishing most preferred items in customer preferences in relation to service quality, comparing the ranking of the mean value is also important, as it provides an understanding how the customer priorities the items. Such prioritizing can render further meaning between the banks. By referring to Table 3, the highest item preferred by customers is listed to the six highest items in each of the banks. On the other hand, the lowest ranking listed from the six from the bottom is listed in Table 4. The highest and the lowest items was listed to find out which items are more preferred on customers heart and which items is less appreciated by customer for each banks. From the Table, 3 some crucial points can be inferred: Firstly, customer's ultimate motive to deal with Islamic Bank is because of its religious motivation.

Table 3: The highest ranked items

Higher ranking	Islamic Bank of Britain	Cooperative bank
1	No interest paid nor taken on saving and loan	Run on ethical value
2	Provision of Islamic product and services	Knowledge of customer, business or willing help
3	Run on Islamic law and principles	Way staff treat customers
4	Politeness and friendly staff	External appearance
5	Provision of profit sharing investment product	Opening hours operation
6	Provision of free interest loan	No financial support for countries and companies with poor human right record

Table 4: The lowest ranked items

Lowest ranking	Islamic bank of Britain	Cooperative bank
29	Overdraft privilege on current account	No investment on environmentally harmful business
30	Wide rank of product and services provider	Bank sizes in asset capital
31	Well known bank	Provision of all conventional banking and financial product
32	Parking available	Number of branches
33	Number of branches	Parking of available

Table 5: Ranking of assurance items

Similarity ranking	Items in IBB	Similarity ranking	Items in CB
4	Politeness and friendly staff	9	Politeness and friendly staff
15	Provision of financial advice	15	Provision of financial advice
14	Interior comfort of IBB	14	Interior comfort of IBB
11	Ease of access to account information	12	Ease of access to account information
20	Knowledgeable and experienced management	28	Knowledgeable and experienced management

This can be seen from first rank to sixth which are dominated from religious principles, rather than quality services. It is interesting to note that politeness and friendly staff as a proxy of quality service offered by the bank only falls at fourth ranking. We may deduce that the customers appreciate Islamic Bank for its religious provision rather than its service quality offered. Secondly, customers for CB tend to prefer to deal with the bank for its quality services. They appreciate the CB not just because the bank is run based on ethical value, but mostly due to its quality services. This can be seen from their preference of the attitude of the staff (rank 2 and 3), duration of opening hours (ranking 5) and external appearance (ranking 4). However, it is worth noting that the customers also appreciate the bank since its operations are based on ethical values (ranking 1) and respectful humanity (rank 6).

Similarities of preference: Table 5 shows the similarities of customers' preferences for both banks. The following results can be inferred: Although there is a distinct behavior of customers of those banks in regards of religious motivation and quality services, they roughly have similar perspective on some points which can be described as follows: Firstly, The customers of both of IBB and CB do not expect that these banks are the high respectful bank. They are aware that both of the banks have limited branches (ranking 33 for IBB and ranking 32 for CB). Limited branches indicate that the bank is less accessible which in turn will discourage the customer to use its products and facilities. Secondly, limited space for parking (ranking 32 for IBB and ranking 33 for CB) is also another weakness of the bank. The customers do not expect that the banks provide adequate parking which in turn generate inconvenience. In addition, the customers realize that both of the banks only provide a limited product and services (ranking 30 for IBB and ranking 31 for CB). As can be seen in Table 2, almost all of the items in Assurance have a similar ranking in both of the banks. Where in the items provisional of financial advice both of banks ranked in 15, also the similarity can be found in item interior comfort of banks, where the both banks is occupy rank 14. However in items ease of access to account information the similarity in both of banks is not a big different, where IBB ranked 11 and CB ranked 12.

DISCUSSION

The findings show that the Compliance issues were very significant for IBB customers, while the same cannot be referred to the CB customers, who furnish more importance to Empathy and Responsiveness. On the other hand, the highest ranked between IBB and CB were established, where the customers of IBB chose No interest paid nor taken on saving and loan as a preferred items and CB customers more preferred to chose Run on ethical value as the highest rank. The results also proved that the similarities were found where almost of the items in Assurance have a similar ranking in both of banks. The unique findings from this study shown that the Compliance dimensions were especially significant compared to other dimensions in banking perspective.

These are some recommendations as a direction for future research: Firstly, future research should be conducted with a big number of respondents to ensure the representative and conclusive findings. Secondly, it is recommended that the next research need to increase a number of banks to obtain the good results.

CONCLUSION

From the research finding it can be deduced that the customers of IBB more appreciative of almost all items in dimension one (Compliance), while CB customer less appreciative of compliance issues, as only one items is ranked in high by the CB customers among the compliance items. In term of service quality CB scores much better than to IBB, as items such as 'Knowledge of customers business' or 'willing help and way staff treat customers', are ranked as 2 and 3 respectively by the CB customers but IBB customers ranked the same items only as 11 and 7. It can, therefore, be concluded that both banks have individual strengths and weaknesses in their service quality. For better service quality, the weaknesses have to be improved, while strong points should be enhanced by the respective banks.

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