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CUSTOMER SATISFACTION IN FULL-FLEDGED ISLAMIC BANKS AND ISLAMIC BANKING WINDOWS: A COMPARATIVE STUDY

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Abstract

As the aftermath of globalization and banking technology advancements, service quality has sought the intense value from the competing banks to ensure customers' loyalty and avoid customers' run-off risk. Of course, Islamic Banks seek no exceptions here. Islamic Banking exists either in the form of full-fledged Islamic banks or as Islamic Banking windows in the conventional banks. With an on-going discussion among policy makers to determine which type of these is better to be implemented, scarce literature is available in terms of the comparative studies between the two and also with regard to comparative service quality. Hence our study is the first one to compare these two types

of Islamic banks with reference to their service quality. SERVQUAL model has been employed to analyze the service quality of these two types of Islamic Banks in Pakistan. Results yields a better image about full fledged Islamic banks, as perceived by their customers. Nonlinear classification techniques reveal that expectation of tangibles, empathy, and responsiveness are the most significant constructs that distinguish Islamic banks with respect to service quality.

Keywords: Islamic Banks; Full Fledge Islamic Banks; Islamic Banking Windows; Service Quality; SERVQUAL; Linear Classification and Nonlinear Classification Techniques; Pakistan

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INTRODUCTION

Globalized environment has put a great stress on the banking industry to fiercely compete with other market players. The aggressive marketing perspectives have created panic in the banking industry to capture the market share. It is simply not enough to explore new customers; instead equally imperative is to satisfy the existing ones to build a loyal customer base and minimize customers' switching behaviour [1]. The approach of satisfying customers through optimal service quality leads not only to customer retention, it in parallel boosts up the financial performance in terms of revenues and cross-selling ratio [2].

In theory and practice, Islamic banking has some distinctive features such as no Riba (interest/usury) and no Gharar (an uncertainty in contractual terms which may lead to conflict) [3]. A report by International Monetary Fund (IMF) entails that the industry of Islamic finance is yet a niche, but its resilience, penetration and upraised growth is so significant that this form of banking has been welcomed to work strategically hand in hand with the IMF. The same report further reveals that this industry ambits Islamic banking, sukuk (Islamic alternative to bonds), security market, Leasing (Ijara) companies, insurance (Takaful), Investment funds (Modarbas) and micro financing institutes. Of these, the former two, i.e., the Islamic banks and sukuk are highly progressive and aggregately constitute a 95% of all the Islamic financial assets [4]. In financials, Islamic banking occupied around US \$700 billion in the year 2008 [5], with a growth rate at 15% per annum [6]. Till 2005, there were around 277 Islamic Financial Institutes in the world [7,8].

The banking model best applauded by governments across countries has been the parallel existence of Islamic and conventional banks or the dual banking system [9]. The dual banking system is prevailing in a number of Asian countries such as Malaysia, Indonesia, Bahrain, and Pakistan. Of interest to this study is the dual banking system of Pakistan, where the Islamic Finance had captured a market share of 4.3% at asset and 4.2% at deposit side of the total local banking industry, in a span of just five years (2002-2008), at a growth rate of 60% per annum. This status is impressive in

comparison to other countries where dual banking system exists (e.g. Malaysia, Indonesia and Bahrain) [10]. However, the fierce competition demands Islamic banks to substantially focus on customer satisfaction for want of a competitive advantage over the conventional banks operating in Pakistan.

Determining the satisfaction of banking customers has been a considerably well researched area in literature [11-13]. Researchers have explored customer satisfaction in Islamic banks [14-17] as well as in the contextual domain of Pakistan (e.g., Ilyas et al. [18]; Kashif et al. [19]). However, literature examining this issue in the context of dual Islamic banking system (full fledged Islamic Banks (FFIBs) and the Islamic Banking windows (IWs)) in Pakistan is rare. The issue relating to comparative evaluation to FFIBs and IWs begs for more attention due to the fact that most of the Islamic countries, especially famous ones for Islamic finance have both of these functional (e.g. Malaysia, Bahrain, UAE, Pakistan, and Yemen). But some countries, even after noticing its growth, have been reluctant to implement this dual Islamic banking system (e.g. Iran, Turkey). Surprisingly, Qatar at first allowed it, but subsequently banned it in February 2011, which paved a way for discussion of the status of IWs amongst policymakers. Although Islamic banking literature reveals that service quality studies have been conducted by previous researches (e.g., Awan et al. [20]; Sangeetha et al. [21]; Taap et al. [22]) but the comparative analysis of FFIBs and IWs has yet not been undertaken. Therefore, this study is an initial attempt to address this research gap by conducting a comparative study of service quality among the customers of these two types of Islamic banks.

LITERATURE REVIEW

Service Quality – Significance and Conceptualization

Despite the long-term interest of understanding service quality among researchers, its popularity in business studies is still intact [23]. We see a couple of reasons for this up-surge in service quality studies. Firstly, the importance of service sectors at macro level and secondly the importance of service quality by its impact upon the performance of business at micro level. At macro level, the World Bank reported in 2004 that the service sector has its greatest part in the GDP (prestigiously at 64% in high income countries and at 43% in low income countries). From the perspective of its impact on customers, service quality is aimed at satisfying the customers by delivering proper products to them that align their requirements [24]. Besides, a service of good quality can retain customers [1] that may in turn enhance the financial performance of a business [2]. Specific to the banking industry, once customers feel satisfied with the service quality of their banks, they become loyal thereby, reducing the switching behavior of customers [25].

A number of conceptualizations of service quality are available in literature. This study follows the conceptualization of service quality traced from Gronroos [26] and Parasuraman et al. [27] as the comparison of the idealized expectations and perception

based upon actually received service quality. This conceptualization of service quality is one of the highly followed conceptualizations present in the marketing literature.

SERVQUAL

Service quality occupies a remarkable significance in business context. A plethora of scales have been developed to measure service quality, of which the SERVQUAL scale has been largely adopted by researchers Brown et al. [28]; Ladhari [29]. Originally devised by Parasuraman et al. [25], SERVQUAL was later on improved by Parasuraman et al. [30,31] which rendered its dimensions comprehensive in numbers and universal in applicability for multiple service providing businesses.

SERVQUAL faced some criticism on the basis of some operational and conceptual problems [32,33]. One of the major criticisms was the Expectation minus Perception (P-E) gap [30,34]. Critics viewed that the Expectation dimension begets problems in its “conceptual and operational definitions” [31] and eliminating Expectation to conclude merely upon Perception makes the questionnaire more appealing to respondents by reducing the number of items from 44 to 22 [34]. Contrarily, Parasuraman et al. [31] propound that P-E gap gives businesses an idea of both the desired and adequate levels of service quality that customers seek. This idea, in turn, provides a guideline to the businesses about the ideal positions of expectation as well as the perception scores. A study by Kilbourne et al. [35] yielding invariant results across courtiers and views that the gap model explains the issue of service quality by superior diagnostic measures. Another parallel study by Sachdev et al. [36] dedicated to ascertain the relative importance of service quality dimensions, puts up an encouraging note in favor of the use of gap scores in measuring service quality. Yet another study as the review of works on SERVQUAL, spanning over a period of 20 years (1988-2008), also supports the gap measurement, after analyzing all criticisms put on to the SERVQUAL scale [29]. It concludes that although 11 kinds of problems (including gap score calculation) have been found in the literature to censure the SERVQUAL, yet they are apparent and “many researchers and practitioners continue to find that the instrument is useful for measuring service quality” [29]. It was, therefore, concluded that the gap model by taking the P-E score portrays a better explanation of service quality.

Owing to the universal applicability of it, many researchers have deemed to use the SERVQUAL practically in the banking context, sometimes with some modifications (e.g. Avkiran [37]; Cronin et al. [34]; Haque et al. [38]; Taap et al. [22]; Zhou et al. [12]). Since the Islamic banks are more similar to the conventional banks with a difference of Sharia observance, virtually they find no exception towards the applicability of SERVQUAL. Hence researchers (Awan et al. [20]; Kumar et al. [16]; Sangeetha et al. [21]; Taap et al. [22]) have employed it in the Islamic banking context.

Islamic Dual Banking System in Pakistan

A sound economy has a sound banking system backing it up. It eliminates the built-in disparity among the savours and deficit ends of an economy by maintaining an even flow of funds among them. Banking services have become even direr post globalization [39]. In the history of Islamic banking, an unprecedented pace was taken up by Malaysia in 1993 and by Bahrain in 1996 [40] to allow the Islamic banking windows (IWs) to operate under the concept of dual banking system. The IWs are the Islamic services provided by conventional banks. An Islamic window is “simply a window within a conventional bank via which customers can conduct business, utilizing only Shariah compatible instruments” [41]. More lucid definition of IWs states “departments within conventional banks setup, operating and maintaining Islamic banking operations as profit and loss sharing entities separate from their conventional banking operation” [42]. It is clear by this definition that prime caution in handling the IWs is to run the business in fashion ensuring pure seclusion of the funds, coming from Islamic and conventional business lines of a parent bank. Secondly, these definitions take Islamic banking windows and Islamic standalone branches undistinguishable, since both are the Islamic financial services by the conventional banks. Hence, for the sake of this research, under the concept of this definition, this study considers them as same.

In Pakistan, the banking sector is comprised of 54 banks at total, out of which 17 have their business lines set in-line with Sharia and named as Islamic Banks. Being a Muslim dominant nation, the search to construct the whole economic sector harmonized with Sharia started just after the independence. Pakistan was initially enthusiastic to transform the whole economic sphere but did not succeed, due to some social and political issues [43]. Ghazi [43] cites the lack of Islamic economist as the very first reason, among others, in the melt down of Islamization of the whole economic system in Pakistan. Later on, as the concept of dual banking system was appreciated in many Islamic countries, Pakistan also adopted it. In Pakistan, dual banking system apparently progressed as reflected by the fact that more than half of the Islamic banks are IWs, and till the first half of 2011, IWs’ total asset in Pakistan were standing at Rs 189.990 billion, growing at rate of 27.28 percent [44].

The reason behind this IWs’ impressive growth is twofold; at macro and micro levels. At macro level, the policy makers are in the favor of dual banking system because of the relatively smaller Islamic finance sector with fewer and scarce financial products. For instance, derivatives and hedging cannot be a panacea for all financial problems and hence, dual system gives a better diversified financial outlook to an economy [41]. Secondly, by the phenomenon of IWs, governments are at ease to spread the Islamic financial products among the demanding public, here, for the policy makers. Malaysia is an example of growing its Islamic finance sector through IWs [45]. Thirdly, it also adds a valuable erudition in banking services [46]. On the other hand, at micro level, support for IWs, under the dual banking system, is the fact that Islamic banks were really not so adept and being relatively new entrants on the markets had lesser expertise at their inception. This gap was seen as an opportunity by conventional counter parts to tackle

a growing Muslim population and other Islamic finance customers.

Literature investigating a comparative phenomenon among full fledged Islamic banks (FFIBs) and IWs is lacking. Focusing upon the efficiency comparison, a study on the sample of Malaysian Conventional and Islamic banks (FFIBs and IWs) shows that FFIBs and IWs are at upper level in technical efficiency from conventional counter parts [42]. The same study reveals that while by the trends on revenue efficiency, IWs are superior to FFIBs, because the IWs' trend is more consistent here. The FFIBs have captured public confidence that led to their higher efficiency performance with respect to cost, profit, allocative and technical measures [42]. Another work, while investigating the efficiency and competitiveness of FFIBs and IWs revealed that Malaysian FFIBs are better than IWs [46]. It further reflects that IWs phenomenon was a good initiative to spread the Islamic banking products, as it clicked the competition to enhance efficiency. However, no such studies have been found in the context of Pakistan. Besides, studies examining the customers' perception comparative to FFIBs and IWs have not been undertaken yet. This research, therefore, strives to fill out this gap with an employed methodology explained in next section.

METHODOLOGY

For this study, SERVQUAL questionnaire was used, with gap scoring. The questionnaire was divided into three sections. One section comprised of 22 statements each of Expectation and Perception. Another section was to collect the demographic information from the respondents. We employed another section related to importance-weight-analysis.

Convenience sampling was used to collect the data. Based on 22 statements, at least 220 responses were required so as to have an item-respondent ratio of 1:10 [16]. This study distributed 300 questionnaires among customers involved in Islamic banking. Out of the 300 distributed questionnaires, 269 completely filled in questionnaires were received back, giving a response rate of 87.68%.

Importance-Weight-Analysis was employed to know about the attributed kind of service more likely to impress the customers. This analysis aims to direct the managerial decisions to evaluate different service attributes in their policymaking. To linearly classify, each of the constructs (i.e. Tangible, Reliability, Responsiveness, Assurance and Empathy) were analyzed by the means of their perception, expectations and gap scores. The gap scores were calculated as:

$$\text{Gap} = \text{perception} - \text{expectation}$$

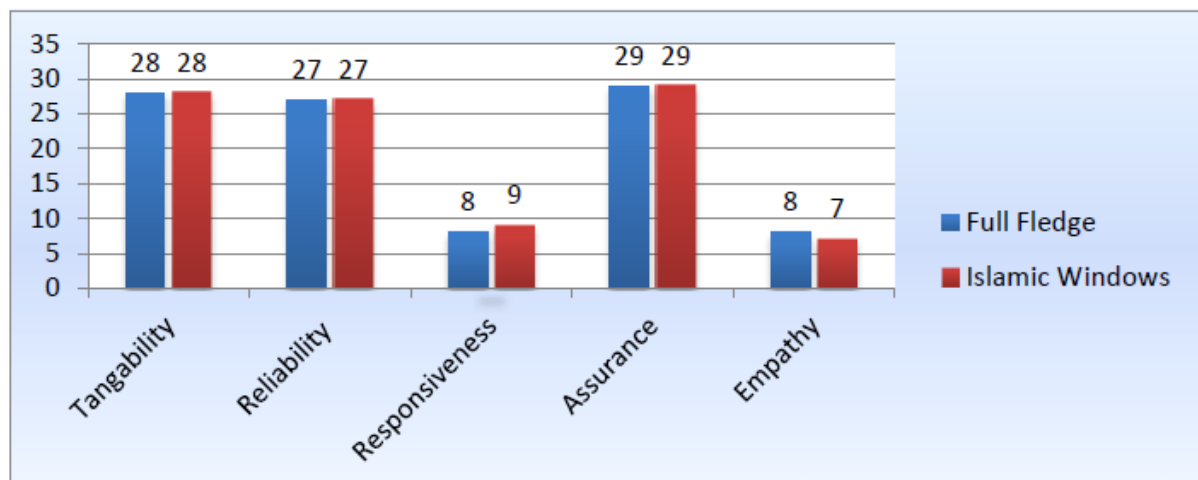
Logit regression analysis was then used to statistically differentiate the relative importance of service quality constructs, since our dependent variable was in the dichotomous form. Logit regression, being a nonlinear classification technique, gives better results to classify instead of linear techniques [8].

The IWs are the Sharia compliant subsidiaries of conventional banks, while their Sharia compliant nature tends them closer to FFIBs. It is important to check that in terms of service quality whether IWs are closer to FFIBs or conventional banks.

RESULTS AND DISCUSSION

Figure 1 illustrates the results of relative importance of 5 conventional dimensions of SERVQUAL (based on the survey responses) to show that there exists no difference among FFIBs and IWs, relating to their dimensions of Tangibility, Reliability and Assurance. There exists, however, some marginal difference between the weights assigned to Responsiveness and Empathy. It is pertinent to note that Tangibility, Reliability and Assurance solicit more attention by the managers of Islamic banks than the Responsiveness and Empathy, since these three collectively score 84% importance weightage while Responsiveness and Empathy score just 16%. Considering the demographic variables, this study found interesting results in terms of age, education and profession. Results showed that majority of the (66%) respondents with Masters Level qualifications and above are more inclined towards FFIBs.

Figure 1: Relative Importance of SERVQUAL dimensions between FFIBs and IWs.



Results further revealed that respondents having educational qualifications below Masters but above bachelors were more inclined towards IWs. That is to say that young people had preferred IWs while aged people had opted for FFIBs for their banking needs. In addition, in terms of profession, 67.2% of total sample who had opted for FFIBs were salaried people, whereas 40.8% of the salaried people had chosen IWs. House-wives constituted 0.6% of the sample size of FFIBs and 7.1% sample of the IWs. Previous studies, in parallel to this research, have also explored that the female banking customers are much lesser than male customers in Pakistan [47]. Overall results of demographics revealed that relatively more aged, educated and salaried people had FFIBs as their preference, while as people with relatively lesser age, education and

lesser responsibilities preferred IWs for their Islamic banking activities.

Scoring of constructs and variables illustrated in Table 1 shows that customers' expectations were highest at the items of modern looking equipment, confidence winning behaviour of banker and understanding customers' specific needs in the case of FFIBs, while the same column of expectation in IWs shows the highest scores are with Understanding customers' specific needs, sincere interest in solving problems and safe in transactions. In addition, as per the banks' performance given by perception scoring, FFIBs lead in the variables of safe in transactions, appealing materials associated with the service and employees always willing to help customers. On the other hand, IWs score higher than FFIBs on the items like safe in transactions, error free records and employees' neat appearance. These results are semi-agreed to previous researches, where the employees are always willing to help customers had been up in perception scoring of all Islamic banks, without splitting these banks into FFIBs and IWs [20].

The P-E Gap indicates the banks' ability to match the corresponding expectations of customers. This gap has been observed to be at zero i.e., customers' expectation and the banks' performance are matching in the items viz. employees never appear too busy to respond in FFIBs. While for IWs it scored the value zero on the item of appealing physical facilities. Zero gaps in the service quality measures of Islamic banks have not been found in previous researches [22]. This zero gap is not an evidence of banks' adequate performance as the P scores can be seen below 4 in both zero gap cases, instead the customers had not been expecting much. Therefore, in case the expectations of customers elevate up, even this zero gap will then be a warning to bankers who will then be forced to reduce the gap to less than zero. The biggest gap scores in FFIBs were in items like safe in transactions and appealing materials associated with the service, while in IWs, the bigger gap items included employees always willing to help customers and error free records. These high gap scores divulge another important insight in service management that IWs larger gaps are due to its customers' lesser expectations than those of FFIBs. The lowest gaps in FFIBs are in items like confidence winning behaviour of banker and performing the service at promised time. On the other hand, in IWs, these are in items like bank with customers' best interest at heart and employees understanding customers' specific needs.

Table 1: Variables scoring.

Dimension	P _{FFIBs}	E _{FFIBs}	Gap _{FFIBs}	P _{IWs}	E _{IWs}	Gap _{IWs}
Tangibility						
Modern looking equipment	4.10	3.98	-0.117	3.67	3.62	-0.051
Appealing physical facilities	3.92	3.89	-0.035	3.71	3.70	0.000
Employees' neat appearance	3.91	3.92	0.012	4.01	3.73	-0.276

Appealing materials associated with the service	4.00 3.89	4.02 3.80	0.024 -0.062	3.90 3.67	3.59 3.58	-0.306 -0.094
Operating hours convenient to all their customers						
Reliability						
Performing the service at promised time Sincere	3.91 3.98	3.79 3.96	-0.129 -0.088	3.90 4.06	3.68 3.61	-0.206 -0.449
interest in solving problems	3.98	3.89	-0.012	3.73	3.58	-0.153
Performing the service right the first time Error free	3.91 3.87	3.87 3.88	-0.035 0.018	3.82 3.74	3.77 3.87	-0.052 -0.194
records Telling exactly when services will be performed						
Responsiveness						
Employees giving prompt service to customers	3.95 4.01	3.94 4.01	-0.018 0.006	3.87 3.96	3.58 3.66	-0.289 0.184
Employees always willing to help customers Employees never too busy to respond	3.91	3.91	0.000	3.48	3.46	-0.020
Assurance						
A confidence winning behaviour of banker Safe in	4.08 4.01	3.90 4.11	-0.175 0.100	3.85 4.03	3.51 3.77	-0.337 -0.265
transactions Consistently	3.97	3.95	-0.018	3.88	3.59	-0.286
courteous employees with customers Knowledgeable	3.94	3.87	-0.060	3.89	3.64	-0.247
employees to answer customers' questions						
Empathy						
Individual attention to customers Giving personal	3.91 3.81	3.88 3.80	-0.022 -0.009	3.78 3.77	3.61 3.59	-0.173 -0.191
service to customers Bank	3.83	3.79	-0.038	3.84	3.39	-0.442

with customers' best interest	4.02	3.96	-0.058	4.06	3.64	-0.413
at heart Understanding						
customers' specific needs						
(Note: E=Expected, P=Perceived)						

Overall, it is pertinent to note that the expectation scorings are higher in FFIBs column than those of IWs. Secondly, although both the bank types are not up to the mark in employees understanding customers' specific needs, yet this difference of gaps between FFIBs and IWs is the biggest (i.e., 0.353) than other items. That is to say that product tailoring in Islamic banking still lags behind the customers' expectation and this chasm gets even wider in the case of IWs. The smallest gap difference has been at operating hours convenient to all their customers. Although the working hours of both types of banks are same in Pakistan, yet the gap scores are different. But since it is a subjective issue, such small differences are negligible. The smallest and the biggest gaps are unfolding some important facts. For example, the results of the smallest gap resemble to practice because both types of banks in Pakistan have similar working hours, hence the results are anticipated to be similar. Secondly, the results of understanding customers' specific needs are also parallel to practice where we see that Islamic banks with a short experience and history have comparatively lesser product designing techniques and a smaller number of trained employees. Islamic banks are also prone to such issues due to the fact that the subject of applying Sharia in banking is an emerging science yet not fully developed, with lesser availability of such skilled personnel who have a command on both the domains; the Sharia and the banking. While the conventional banks have a better experience in employee training and product development, their performance in this regard was anticipated. But the FFIBs took such a daunting step that irrespective of the above mentioned hindrances, they designed the customer oriented Sharia compliant products [48]. Practically, it was imperative for them to survive in the market. In fact, the IWs being the subsidies of conventional banks had chances to grow through conventional products, but FFIBs had no such parallel option to survive.

Reliability statistics in Table 2 show that least Cronbach Alpha is at 0.700. Here, if the threshold value of exclusion is a bit relaxed to 0.65, then no variable needs to be excluded [49-54]. The alpha scoring witnesses that the conventional constructs in the SERVQUAL are carrying their enough weights to employ them in measuring service quality.

In addition, as per the statistics given in the Table 3 below, customers of FFIBs exhibit more expectations in the tangibility construct as compared to those of IWs. Similarly, the FFIBs perception scoring in every construct is higher than the perception scorings of IWs. In the columns of gap scores, negative values show that customers normally tend to show higher expectations [55-57]. This phenomenon is a well-established fact in the literature [22]. Moreover, the gaps for all constructs, except in tangibility and reliability,

are wider in the case of IWs than the FFIBs, which show that in the responsiveness, assurance and empathy constructs, the performance of Islamic banks in Pakistan is better in FFIBs than IWs. The T-test significance reveals that gap scores of tangibility and reliability are not significantly different. While the overall gap results in Table 4 show that customers' expectations are larger with FFIBs in contrast to IWs [58-60]. Besides, the gap score is higher for FFIBs with high significant value which means that FFIB's score better in terms of perception. Results of this research, by giving a higher rank to the service quality of FFIBs, suggest that FFIBs have created a better image in the minds of its customer than those of IWs. This finding is consistent to previous study by Kamaruddin et al. [42], which found that FFIBs have been able to win the customers' trust in a better way than IWs among the Malaysian Islamic banks.

Table 2: Reliability of SERVQUAL constructs.

Constructs	Cronbach α_{FFIBs}	Cronbach α_{IW_s}
Tangibility	0.808	0.870
Reliability	0.825	0.803
Responsiveness	0.705	0.703
Assurance	0.761	0.781
Empathy	0.796	0.700

Table 3: Construct scorings and gaps.

Constructs	P _{FFIBs}	E _{FFIBs}	Gap _{FFIBs}	P _{IWs}	E _{IWs}	Gap _{IWs}	Sig. of Gap	Sig. of Construct	
								Mean difference	
							Mean difference	P	E
Tangibility	3.92	4.2	-0.278	3.65	3.79	-0.148	0.25	0.002	0.001
Reliability	3.89	3.95	-0.058	3.64	3.85	-0.209	0.12	0.005	0.283
Responsiveness	3.94	3.96	-0.012	3.78	3.57	-0.216	0.05	0	0.067
Assurance	3.97	4	-0.025	3.62	3.94	-0.319	0.004	0	0.526
Empathy	3.86	3.9	-0.05	3.57	3.88	-0.303	0.002	0.004	0.759

Results of Logit Regression

To check the overall relative importance of different constructs under expectation and perception scoring among FFIBs and IWs, this study opted for Logit Regression. An exhaustive process of backward and forward method was conducted to parsimoniously arrive at such constructs that are helpful in explaining the customers' attitudinal differences about service quality. This process yielded following logit equation by putting FFIB=0 and IWs=1.

$$\text{Bank} = 2.056 - 0.556 \text{ pRes} + 0.471 \text{ eEmp} - 0.591 \text{ eTang}$$

Wherein pRes, eEmp and eTang denote perceived responsiveness, expected empathy and expected tangibility respectively [61-64]. The equation fitness by Hosmer Lamshow value at 0.302 describes reliable results.

Table 4: Overall constructs and gap scorings.

P _{FFIBs}	E _{FFIBs}	Gap _{FFIBs}	P _{IWs}	E _{IWs}	Gap _{IWs}	Sig. of Gap mean difference	Sig. of Construct mean difference	
							P	E
4.00	4.001	-0.022	3.373	3.735	-0.474	0.000	0.000	0.002

Table 5: Logit regression coefficients.

Construct	Significance	Exponential(β)
Perceived Responsiveness	.02	0.574
Expected Empathy	.0028	1.602
Expected Tangibility	0.003	0.554
Constant	0.018	7.81

This equation explains that to distinguish the FFIBs and IWs, based upon their service quality, only three variables take the prime position. Those are expectation of tangibles, empathy and perception of responsiveness. Logit results suggest the stats given in Table 3, by revealing that IWs' customers expect lesser in tangibles and perceive lesser in the terms of responsiveness [65-68]. As evident by the coefficients, given in Table 4 logit results are significant and hold a good explanatory power in determining the probability. Exponentials presented in the Table 5 below describe that the results highly vary between FFIBs and IWs and if the said variables change even by one unit, the probability between these two banks will change with higher percentages. More

specifically, for IWs, if we make one unit increase in perceived responsiveness or expected tangibility, it will decrease the odds by 57.4% and 55.4%, respectively. Moreover, if there is one unit increase in the expected empathy, there will be a resultant increase in the odds of IWs by 60.2%. To say that, the customers' attitude differs in these two types of Islamic banks with respect to perceived responsiveness, expected empathy and expected tangibility [69]. The exponentials of beta show that this difference becomes huge in the case of expected empathy. In other words, customers are expecting a higher level of empathy from IWs.

CONCLUSION

This study through an exhaustive literature review and the empirical examination deduces that service quality measure through SERVQUAL, despite all its criticism still holds a prominent value. SERVQUAL gap calculation techniques were also found to be useful in assessing customers' needs in service quality and determining banks' performance by perception scorings. By employing the SERVQUAL with its conventional constructs and items, results assert that among Islamic banks of Pakistan FFIBs are superior to IWs in terms of service quality. The results further reveal that aged people with the demographics of higher education and work responsibilities are driven more towards the FFIBs, whereas people in smaller age group, with lesser work responsibilities and lesser education levels have a better impression of the service quality of IWs. As a matter of fact; aged, working and more educated people have relatively more serious and conscious attitude in selecting a service for them. Hence, FFIBs with better service quality standards are more likely to attract them. Such people are usually more in touch with media to absorb the effects of news about FFIBs and IWs. The news of not allowing or banning the IWs by some central banks, as has been the case in Pakistan, may have played a role in bending their likings towards the FFIBs. The result of this study also suggest that Islamic banks are weak in assessing the customers' specific needs, which makes them unable to train their employees and tailor the products in parallel with these customers' needs. Although both types of banks are not up to the mark in this case, yet IWs are worse than FFIBs.

Measuring and analyzing scores in expectation, perception and gap of each construct and item in both type of banks showed that customers usually have higher tendencies in their expectations but these expectations even grow larger in the case of FFIBs for most of the constructs and items. Both these types of Islamic banks were found to have a zero gap in the items like employees are never too busy to respond in FFIBs and in appealing physical facilities in IWs. These zeros are a positive sign in a way that these banks are able to provide as good quality of service as expected by their customers. Nevertheless, at the same time it is a pressing voice to be heard by these banks that these zero gaps are not by the virtue of banks' performance but due to the lower expectations of customers. If customers' expectations grow, the gaps will turn negative reflecting that the performance lags behind the expectations. The results of this study are in sync with the available literature on Islamic banking; hence, it provides an empirical support to further enhance the existing literature on Islamic banking.

Overall, the service quality of FFIBs was observed to be better than IWs. To trace the reasons, it is very logical to say that since IWs are governed by the conventional banks, whose bigger chunk of business rests with their conventional counterparts instead of IWs, as witnessed by annual reports. Therefore, it is natural for them to have lesser concerns with IWs in terms of their product development techniques and training their employees. Secondly, the FFIBs were the new entrants to the market. Therefore, to attract customers in the same market, it was imperative for them to offer a better service quality so as to survive and excel. Thirdly, unlike the conventional banks with IWs, FFIBs have a single business line to create profits; therefore, working with a lower service quality can prove to be fatal for their existence. All these reasons can be sighted to create an accumulated impact to lower the performance of Islamic banks working under the umbrella of conventional banks as IWs rather than the FFIBs.

LIMITATION OF THE STUDY

This study contributes to the extant Islamic banking literature in the following ways. Foremost, it is the first study of its kind to determine the customer satisfaction comparatively in FFIBs and IWs. The survey of literature seeks to define and draw the logic of allowing or banning the IWs. The in depth analysis of different aspects of service quality of dual Islamic banks in Pakistan is an added contribution of this study. This study employed the conventional SERVQUAL with the use of descriptive stats and independent T-test techniques. Further research is suggested to be done via addition or deletion of some variables in modified SERVQUAL scale and through more rigorous quantifying techniques like factor analysis and structural equation modeling etc. Sampling techniques other than convenient sampling may increase the validity of responses. In addition, this study was confined to Pakistan; similar studies in other countries can be conducted to further explore this issue.

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