Factors Associated with Customer satisfaction and financial performance

A case study with Dubai Islamic Banks in Jordan.

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ABSTRACT

This study has three objectives. First is to investigate the set of relationships between three variables [general services, corporate social responsibility (CSR) services and Sharia’h compliance services] and customer satisfaction. The second objective investigates the relationships between three bank service variables [general services, CSR services and Sharia’h compliance services and financial performance] and financial performance. The third objective of this study is to examine the mediating effect of customer satisfaction on the individual relationships between each of three factors [general services, CSR services, and Sharia'h compliance services] and financial performance.

To achieve the three objectives, the study utilises a single approach design involving the use of a quantitative instrument for customers from Jordanian Islamic banks. A representative sample of banks' customers (n=210) were recruited from the selected Islamic banks to voluntarily participate in the study. The questionnaire sought information on factors commonly associated with customer satisfaction in the banking industry: general services, CSR services, Sharia'h compliance services and financial performance, plus demographic details.

The results of this study suggested provision of general services and CSR services are associated with customer satisfaction. This is consistent with results of prior studies reporting a significant positive association between two variables (general services and CSR services) and customer satisfaction. The study also found that Sharia'h compliance is consistent with some previous findings: that provision of Sharia'h compliance services is associated with customer satisfaction. Similarly, this study found a positive relationship between customer satisfaction and financial performance consistent with results of past studies. Furthermore, this study found customer satisfaction mediated the relationship between the following variables (general services, CSR services, and Sharia'h compliance services) and financial performance. Some findings are consistent with past study results which reported financial performance depended on customer satisfaction with general services and CSR services However, the third finding about Sharia'h compliance services adds to the body of knowledge because no previous study has investigated the mediating effect of customer satisfaction on the relationship between Sharia'h compliance services and financial performance. These results have implications for future research studies into these relationships within Sharia’h banks.

The present study also offers important implications for i) practice: utility of good quality general services, CSR services, and Sharia'h compliance services in
the maintenance of sustainable business practices and customer satisfaction (as an important stakeholder group) ii) government institutions: encouraging them to improve their general services and integrate CSR services into their business and iii) society: banks being more socially responsible financial institutions and creating windows for Sharia'h compliance services.

Introduction and Definitions
The context in the financial world of the twenty-first century changed with the worldwide war on terror. The resulting religio-political climate created was one of ideological polarity when identified Islamist organisations were all “terrorists” according to the Western media. This situation, with wars in Iraq and Afghanistan, added to isolated outbreaks of other anti-Western or pro-nationalist terrorism, was exacerbated by the post-Global Financial Crisis instability since November 2008, thus making the world financial situation rather shaky.

In such a competitive environment financial survival is challenged to achieve customer satisfaction. The usual managerial strategy of conventional banks is by using competitive interest rates and offering a diverse portfolio of varying products and services through different channels of delivery; usually making continuous use of changing rapid technology to maximize profit.

Banking industry research is focused on factors impacting upon customer satisfaction about and/or financial performance of banks. Only limited studies have investigated these factors in developing countries, reporting inconsistent results. There may be different factors influencing customer satisfaction in and/or financial performance of banks in developing countries. Also, Islamic-compliance based and corporate social responsibility (CSR) factors in developing countries have been neglected.

This paper has four sections: firstly, introduction and definitions of the five terms used; secondly, the motivation, leading to objectives, a discussion of the relationship between variables and the hypotheses are developed. The third section explains methodology including results and the discussion. The conclusion looks at outcomes, study limitations, implications and suggestions for future research.

General bank services
There is no agreement about the number of dimensions of services or general bank services definition (Bitran and Lojo, 1993; Buttle, 1996). This paper adopts Rugimbana’s et al.’s (2005) definition of general bank service used in their study of the Australian banking sector. They identified the range and quality of product offerings, the quality of communication between banks and their
customers, and the nature of financial service delivery as the three areas of general bank service.

Corporate social responsibility
Business is run for profit (Steiner & Steiner, 2005) - the profit objective; but CSR is also a liability or ethical responsibility towards society- the socio-economic view. Zenisek (1979) proposed a definition for CSR based on the fit between business ethics and societal expectations. In his seminal work, Zenisek tried to integrate two different research streams which dominated the literature at the time. This began a heated debate on CSR among researchers from different schools of thought that has continued till now. Carroll (1979) came up with a four-part definition of CSR which integrated economic, legal, ethical and discretionary aspects. However, in his four-part definition of 1983, Carroll explained the discretionary activities as either voluntary or philanthropic. In 1990’s the concept of CSR was examined by using stakeholder and business ethics theories.

Sharia’h compliance finance service
Sharia’h compliance finance service is a financial product or service complying with the main tenets of Islamic law. Islamic banks operate “on an equity-participation system” where a predetermined return rate is not guaranteed. Sharia’h law does not allow interest to be charged or speculation.

Customer satisfaction
Customer satisfaction is a post purchase attitude formed through mental comparison of the quality a customer expects to receive from an exchange, and the level of quality the customer perceives actually receiving (Carden and Dellifrain, 2004). Customer satisfaction results in behavioural outcomes such as customer retention, commitment, creation of a mutually rewarding bond between the user and the service provider, increased customer tolerance for services and products failures, positive word-of-mouth advertising about the organisation, increased future customer spending, and it might result in more cross-and up-selling, attracting new customers, lowering costs, and greater profitability (Arasli et al., 2005; Rust and Dkempe, 2008; Li, Sun, and Wilcox, 2005; Homburg, Koschate, and Hoyer, 2005).

Financial performance
In a Sharia’h compliant bank, financial performance is achieving social justice through successful investments where profits are shared with investors and borrowers. It is more a partnership where banks are entrusted to invest, and any profit generated will be shared (Kahn, 2000). This notion of profit and loss sharing (PLS) is a totally different concept from the conventional depositors’
and borrowers’ relationship where the depositors will receive interest based on the funds deposited into the bank’s account and borrowers pay interest on the loan received (Dusuki and Abdullah, 2007; Bunchuan, 2006).

**Literature Review**

**A) General services quality dimensions and customer satisfaction**

Strong emphasis is placed on the importance of service quality perceptions and the relationship between service quality and customer satisfaction (Rust and Oliver, 1994; Levesque et al., 1996; Jamal and Naser, 2003; Arasile et al., 2005). Identifying and meeting customer demands by developing and delivering products and services is an essential part of the banking and financial services industry (Araslie, Salime, and Salih, 2005b; Arasli, Salih and Salime, 2005a; ). It is usually difficult for customers to evaluate services and products because intangibility makes it difficult for a company to understand how its customers perceive and evaluate the quality of its services (Jamal and Naser, 2003).

Service quality is not a unidimensional construct but it incorporates various dimensions that relate to both core and augmented service offerings (Bitran and Lojo, 1993;). Parasuraman et al., (1988) described five dimensions of service quality: tangibles, assurance, empathy, responsiveness (service delivery processes) and reliability (an outcome). They developed an instrument called SERVQUAL, as a tool to capture and measure perceived quality. Recently, Tahir and Baker (2007) designated responsiveness as the most important dimension, followed by reliability, tangibles, assurance and empathy outlined below in that order.

1. Responsiveness is the “willingness to help customer and provide prompt service” (Parasuraman et al., 1988, p. 23) and later including employees telling customers exactly when services will be performed and never being too busy to help customers (Parasuraman et al., 1991, p. 446).

2. Reliability is the ability to perform the promised services in a dependable and accurate manner (Parasuraman et al., 1988, p. 23) and they added in 1991, employees having a sincere interest in solving the customers’ problems and performing the promised services right the first time.

3. Tangibles - customers make inferences about the service quality on the basis of tangibles (the physical layout, building, etc) that surround the service environment (Dabholkar et al., 1996; Wakefield and Blodgett, 1999; Jamal and Naser, 2003). One burgeoning tangible part of the banking industry both nationally and internationally is Internet banking facilities.

4. Assurance is “Knowledge and courtesy of employees and their ability to inspire trust and confidence” (Parasuraman et al., 1988, p.23) and he added in
1991 (Parasuraman et al., p. 446) the ability for customers to feel “safe in their transactions”.

(5) Empathy is the provision of caring and individual attention by the firm to its customer (Parasuraman et al., 1988, p. 23), he later added (1991) (1) having operating hours convenient to all their customer, (2) having the customers’ best interests at heart, (3) having an understanding of the specific needs of their customers.

Although Buttle (1996) acknowledged that SERVQUAL was widely accepted, inconsistent findings about the importance of the dimensions were found by prior studies because they used the instrument in different industries. [While Parasuraman et al., (1991) argued SERVQUAL is a generic instrument, Ekinic et al., (1998, p.63) suggested that SERVQUAL may need modification for studies outside North America.

Studies of Islamic banks found service quality and customer satisfaction were strongly related (Othman and Owen, 2000; Abdullah and Kassum, 2009), however, Abdullah and Kassum (2009) added human skills service quality and customer satisfaction relationship. This inconsistency in prior results provides a motivation to include the general service quality in this study’s investigation as one of the key determinants of customer satisfaction and financial performance.

Although prior studies discussed in sections one and two identify an association between customer satisfaction and financial performance, Soterious and Zenios (1998) initially proposed service quality impacts on performance as measured by profitability. In a five year empirical study of the Australian ‘Big Four’ banks and the largest credit unions in the banking industry, all financial performance measures (return on assets, capital adequacy, expense/account ratio and interest margin) were found to correlate positively with service quality (Duncan and Elliot, 2002). This positive and direct link found between customer service and profitability (financial performance) filled a gap in research.

There has been no relationship examined between general service and financial performance on Islamic Jordanian banks. This study therefore will examine whether the significant relationship found in Australia, the most recent paper on the topic, exists in the bank industry market of another country: specifically Jordan.

**B) Corporate Social responsibility (CSR)**

An extensive literature search showed that there are few studies examining different stakeholders’ perceptions with CSR initiatives in the banking industry. Traditionally, the factors that mattered most to customers when determining an opinion of a firm were product quality, financial performance and value for
money (Dawkins and Lewis, 2003). [Now, across a world-wide sample of the public, the most commonly mentioned factors relate to corporate social responsibility (e.g. treatment of employees, community involvement, environmental and ethical issues) (Al-Khater and Naser, 2003; Dawkins and Lewis, 2003). For this study, stakeholder obligation aspect will be adopted to try to identify customer stakeholders’ perceptions with selected Jordanian Islamic banks as CSR institutions, and the relationship between CSR services and customer satisfaction. Stakeholder theory is paying attention to the interests, rights and needs of different stakeholders of a business as a good way of inculcating socially responsible behaviour among firms (Dawkins and Lewis, 2003; Maignan and Ferrell, 2004; Ruf, Muralidhar, Brown, Janney, and Paul, 2001).

C) Sharia’h compliance services

Twenty years’ study on banks showed fast, efficient service, reputation, image and pricing were important for all, but Islamic banks were mainly chosen for religious reasons. Of twelve studies in the Islamic world eight reported a positive relationship that the provision of Islamic products and services was the main factor influencing customers’ patronage. As well, in Islamic countries, many people prefer to invest their money in corporation that pay Zakat (an Islamic religious tax) and they prefer to patronise banks that do not pay or receive interest on loans.

Recent research results (after 1992) may relate to availability and use of Islamic banks due to the recent international expansion. Based on the review of the literature, Islamic banks must offer quality services while maintaining their Islamic reputation and credentials through the offering of Sharia’h compliant services.

The findings of the more recent studies in various countries do support religion as either the most significant factor or one of the important factors motivating the patronage of Islamic banks products and services (Omer, 1992; Metwally, 1996; Hegazy, 1995; Heron et al., 1994; Metawa and Almossawi, 1998; Nasser, 1999; Al Sultan, 1999). The banks should also embrace good customer service policies to gain full potential as a strategic tool to achieve competitive advantage, secure customers allegiance, and improve reputation. No research before this has been done on the relationship of Sharia’h compliance services and financial performance.

D) Relationships and gaps in knowledge

CSR seems the major factor emerging with service quality plus a technological factor in customer satisfaction. Brown and Dacin (1997) reported that a
company’s CSR record, instead of providing information about the overall quality of its products, creates a general context for customer evaluation.

Researchers agree that social responsibility can enhance the reputation and public image of an Islamic bank and that Islamic banks must show a higher level of social responsibility compared to conventional banks, and that it should commit to social responsibility regardless of economic consequences because ultimately the bank is based on the Islamic principles of Sharia’h. The religious element is again paramount in these studies leading to support of CSR in determining customer satisfaction. It therefore seems timely to include an examination of the direct relationship between CSR bank services and customer satisfaction relationship in Islamic Jordanian Banks.

Sharia’h compliance and financial performance was identified as a gap in the literature this study may help to fill. Customer satisfaction was related to financial performance by customer retention which secured future revenues, established a better comparative position in the banking industry, increased customer loyalty and its ensuing advantages for stakeholders (including shareholders) and all these were mirrored in financial performance. Finally, CSR and financial performance research results showed an overall positive relationship.

The few studies of customer perceptions of CSR show positive results and again CSR perceptions in the banking industry are few, leaving gaps in the body of research knowledge. Secondly, inconsistencies were found in the literature review in religious patronage, other listed factors, and customer satisfaction and service quality and financial performance. This second gap also requires further study.

No research has been done on the relationship of Sharia’h compliance services and financial performance. To provide some evidence to help contribute to the literature, this research paper will examine the hypotheses to be developed in section 4 to make a contribution to the body of knowledge revealed in section two and discussed in section 4.

**Motivation**

There are inconsistent prior results and limited research on the banking systems of developing countries about factors influencing customer satisfaction and/or financial performance of banks in developing countries. Furthermore, Islamic compliance factors and corporate social responsibility factors have been neglected in many studies conducted in developing countries. These gaps in the research have motivated the current study. The study will examine, individually, the direct relationship between general bank services, CSR services, or Sharia’h
compliance services and customer satisfaction as well as a direct relationship between these three variables and financial performance for Jordanian Islamic banks. Additionally, the study will investigate the indirect relationship between these three variables and financial performance mediated by customer satisfaction.

**Objectives of the study**
The first objective is to investigate the set of relationships between three variables [general services, corporate social responsibility (CSR) services and Sharia’h compliance services] and customer satisfaction. This objective is motivated for Jordanian Islamic banks and by the fact that, previously, some variables have been examined but provided inconsistent results, some variables have been only partially examined or some variables have not been included in prior studies.

The second objective is to examine the relationships between three bank services (general services, (CSR) services and Sharia’h compliance services) and financial performance.

The third objective of this study examined the mediating effect of customer satisfaction, on the relationships between each of three factors (general services, CSR services, and Sharia'h compliance services) and financial performance.

**Hypotheses**
To achieve these three objectives the following seven hypotheses were proposed for testing.

\(H_{1.1} \): There is a positive relationship between the provision of superior general services by Dubai Islamic banks and customer’s satisfaction.

\(H_{1.2} \): There is a positive relationship between the provision of a high level of socially responsible services by Dubai Islamic banks and customer satisfaction.

\(H_{1.3} \): There is a positive relationship between the provision of Sharia’h compliance services by Dubai Islamic banks and customer satisfaction.

\(H_{2.1} \): There is a positive relationship between the provision of superior general services by Dubai Islamic banks and financial performance.

\(H_{2.2} \): There is a positive relationship between the provision of a high level of socially responsible services by Dubai Islamic banks and financial performance.

\(H_{2.3} \): There is a positive relationship between the provision of Sharia’h compliance services by Dubai Islamic banks and financial performance.

\(H_{3} \): There is a positive relationship between customer satisfaction with Dubai Islamic banks and financial performance.
Factors Associated 

$H_{4.1}$: There is a positive relationship between the provision of superior general services by Dubai Islamic banks and financial performance mediated by customer’s satisfaction.

$H_{4.2}$: There is a positive relationship between the provision of a high level of socially responsible services by Dubai Islamic banks and financial performance mediated by customer’s satisfaction.

$H_{4.3}$: There is a positive relationship between the provisions of Sharia’h compliance services by Dubai Islamic banks and financial performance mediated by Customer’s satisfaction

**Methodology**

**Procedure and Measures**

Ethics approval for the study was obtained from the Banks. The study was conducted from January 2011 until March 2011. A convenient sample of customers who entered the selected Dubai Islamic banks in Irbid in north Jordan were invited to participate in the study using a form of random sampling known as cluster sampling. Verbal and written information about the nature of the study were provided and written consent obtained. Customers completed the questionnaire at the branch itself within a reasonable period of time. Data included contact and demographic details, measures of general bank's services, social responsibility services and Sharia’h compliance services, measure of customers' satisfaction, and measure of financial performance.

The current study used a subset of positively worded items (18 items to measure social responsibility services and 8 to measure general services) from the Consumer Discontentment Scale (CDS) which was developed by Lundstrom and Lamonth (1976) and modifying item wordings to reflect the objectives of the current study. CDS was the main instrument used to survey customers for their perceptions about general services and social responsibility services. The CDS scale was previously observed to be a reliable and valid measurement instrument with a reliability coefficient of 0.79 (Lundstrom and Lamonth, 1976; Rugimbana and Quazi, 2005).

The main measure that is used to survey customers for Sharia'h compliance services comprised items which belong to the compliance with Islamic law dimension in the CARTER model which was developed by Othman and Owen (2001). Modification of item wordings reflected the objectives of the current study. The scale was previously observed to be a reliable and valid measurement instrument (Osman et al., 2009; Othman and Owen, 2001; Tahir and Abu Bakar, 2007).
An eight-point Likert-type scale was used, and customers were asked to indicate the level of emphasis placed on each of the 35 items when determining their banks' general services, social responsibility services, and Shariah compliance services. A scale ranging from zero 'Not applicable' to seven 'very high performance' was attached to each item.

The measurement questions selected for customer satisfaction have been developed and used in customers' satisfaction literature (Lundstrom and Lamont, 1976; Rugimbana and Quazi, 2005). The main instrument used to measure customers satisfaction comprised the Customer Discontentment Scale (CDS) developed by Lundstrom and Lamont (1976) and refined by Lundstrom and White (2006). The present study used a subset of items (seven items to measure customer satisfaction) from the original pool of 82 items and modified item wordings reflected the objectives of the current study. Eight-point Likert-type scale has been used and customers were asked to indicate their level of satisfaction in each of the seven aspects of satisfaction. A scale ranging from zero 'Not applicable' to seven 'very high performance' was attached to each item.

Financial performance is a latent variable. In statistics, latent variables (as opposed to observable variables), are variables that are not directly observed but are rather inferred (through a mathematical model) from other variables that are observed and directly measured.

For the present study, five (5) measurement questions from established measurement instruments were selected for financial performance which have been developed and used in prior literature (e.g. Govindarajan and Fisher (1990), Hoque and James (2000), Iselin, Mia and Sands (2008). These five (5) items with modified item wordings were used, reflecting the objectives of the current study to measure financial performance. For each item participants were required to indicate on an eight Likert-type scale their organisation's performance over the past year by rating it on a scale ranging from zero (Not applicable) to seven (very high performance).

Statistical analysis
Data were analysed using the Statistical Package for the Social Sciences (SPSS) version 12.5 (2000), personal computer version. Frequencies, means and standard deviations were calculated as appropriate on the demographic variables. The properties of the measures used were assessed using Cronbach’s alpha for reliability (internal consistency).

To determine the relationship between the three factors (General services, Corporate social responsibility services, and Shariah compliance services) and customers' satisfaction a series of stepwise multiple regression analyses were undertaken. This approach also determined relationships between the three factors (General services, corporate social responsibility services, and Shariah
compliance services) and financial performance. An alpha level of 0.05 was used for all statistical tests.

Findings

i) The Relationship between Sharia'h compliance services and customer satisfaction: Testing Hypothesis

There are positive relationships between general services, social responsibility services, and Shariah compliance services and customer satisfaction (H_{1.1}, H_{1.2} and H_{1.3}). Figure 1 illustrates the directional relationships of this set of hypotheses as well as the direct effect for each independent variable (IV) (general services (X_1), social responsibility services (X_2), and Shariah compliance services (X_3)), which were derived as the direct effect component for each IV from the decomposition of the computation of path coefficients.
results in Table 1 show the regression has an adjusted $R^2 = 0.681$ and the alternate hypotheses $H_{1,1}$, $H_{1,2}$ and $H_{1,3}$ being partially supported with the statistics suggesting the null hypothesis not be accepted only at $< 0.10$ ($F = 136.321, \alpha = 0.001$).

Table 1: A to B Regression analysis hypothesis $H_{1,1}$, $H_{1,2}$, and $H_{1,3}$, three independent variables (general services, social responsibility, and Sharia'h compliance) and dependent variables (customer satisfaction)

<table>
<thead>
<tr>
<th>Hypothesis Path Coefficient</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig. 1-tailed</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Service H$_{1,1}$</td>
<td>P$_{4,1}$</td>
<td>0.153</td>
<td>6.517</td>
<td>0.000</td>
</tr>
<tr>
<td>Social Responsibility H$_{1,2}$</td>
<td>P$_{4,2}$</td>
<td>0.541</td>
<td>3.101</td>
<td>0.000</td>
</tr>
<tr>
<td>Sharia'h Compliance H$_{1,3}$</td>
<td>P$_{4,3}$</td>
<td>0.355</td>
<td>11.726</td>
<td>0.000</td>
</tr>
<tr>
<td>Adjusted $R^2$</td>
<td></td>
<td>681</td>
<td>136.321</td>
<td>0.001</td>
</tr>
<tr>
<td>F (3,187) Sig.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Dependent variable: customer satisfaction

However, there are significant results for three hypotheses ($H_{1,1}$, $H_{1,2}$ and $H_{1,3}$). Firstly, there is a positive and significant relationship ($\beta = 0.153, \alpha = 0.002$) between the general services and customer satisfaction ($H_{1,1}$). The results also provide a positive and significant relationship ($\beta = 0.541, \alpha < 0.001$) between the Social Responsibility services and customer satisfaction ($H_{1,2}$) and a positive and significant relationship ($\beta = 0.355, \alpha < 0.001$) between the Sharia'h Compliance services and customer satisfaction ($H_{1,3}$).

(ii) The Relationship between three factors (general services, social responsibility, and Sharia'h compliance) and Financial Performance: Testing Hypotheses $H_{2,1}$, $H_{2,2}$, and $H_{2,3}$

Hypothesises $H_{2,1}$, $H_{2,2}$ and $H_{2,3}$ predict a positive relationships between the three factors (general services, social responsibility services and Sharia'h compliance services) and financial performance.

The results in Table 2 show the regression for the four IVs (general services, social responsibility services and Sharia'h compliance services) on the DV (financial performance). The adjusted $R^2 = 0.452$ indicates that this model explains 42.5% of the variance in financial performance. The statistics suggest
that there is support for the alternate hypotheses tested by this equation because the null hypothesis cannot be accepted at < 0.001 (F = 40.188, \( \alpha < 0.001 \)).

There are significant results for three hypotheses (H_{2.1}, H_{2.2} and H_{2.3}). Firstly, there is a positive and significant relationship (\( \beta = 0.162, \alpha = 0.015 \)) between the general services and financial performance (H_{2.1}). The results also provide a positive and significant relationship (\( \beta = 0.083, \alpha = 0.023 \)) between the Social Responsibility services and financial performance (H_{2.2}). There is a positive and significant relationship (\( \beta = 0.506, \alpha < 0.001 \)) between the Sharia'h Compliance services and financial performance (H_{2.3}).

Table 2: A to B to C Regression analysis hypothesis H_{2.1}, H_{2.2}, H_{2.3} and H_{3} consisting of four IVs (general services, social responsibility, Sharia'h compliance, and customers' satisfaction) on dependent variable: financial performance

<table>
<thead>
<tr>
<th>Hypothesis Path Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>B(Beta)</td>
</tr>
<tr>
<td>-----------------------------</td>
</tr>
<tr>
<td>(Constant) (P_{5.1})</td>
</tr>
<tr>
<td>Sub-section (P_{5.2})</td>
</tr>
<tr>
<td>General Service (P_{5.3})</td>
</tr>
<tr>
<td>Social Responsibility (P_{5.4})</td>
</tr>
<tr>
<td>Sharia'h Compliance (P_{5.5})</td>
</tr>
<tr>
<td>Sub-section (P_{5.6})</td>
</tr>
</tbody>
</table>

Dependent variable: financial performance

(iii) The relationship between customer satisfaction and financial performance
There is a positive and significant relationship (\( \beta = 0.310, \alpha = 0.001 \)) has been found between customer satisfaction and financial performance (H_{3}).

(iv) Calculations and Discussions on the Direct, Indirect and Total Effects of the three factors (general services, social responsibility services, and Sharia'h compliance services) on Financial Performance

Calculations and discussions of the direct, indirect, and total effects of the three factors (general services, social responsibility, and Sharia'h compliance) on Financial Performance are contained in this section. The purpose of the computations in this section is to provide a basis for meaningful discussion about
the mediating effects of customer satisfaction \((X_4)\), which was postulated in hypotheses \(H_{4.1}\), \(H_{4.2}\), and \(H_{4.3}\).

Table 3 contains a summary of the statistics for each path coefficient together with the relevant hypothesis. Significant path coefficients provide a significant IE. However, Bartol (1983) indicated that non-significant path coefficients pass the test of being meaningful when they are greater than or equal to 0.065.

**Table 3**: Statistics summary of Path coefficients for Dubai Islamic banks

<table>
<thead>
<tr>
<th>Explanatory variable</th>
<th>Hypothesis</th>
<th>Path Coefficient</th>
<th>(\beta)(Beta)</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sub-section Table (IE)</strong></td>
<td>General Service Customer's Satisfaction</td>
<td>(H_{1.1})</td>
<td>(P_{4.1})</td>
<td>0.153</td>
</tr>
<tr>
<td>Social Responsibility Customer's Satisfaction</td>
<td>(H_{1.2})</td>
<td>(P_{4.2})</td>
<td>0.541</td>
<td>****</td>
</tr>
<tr>
<td>Sharia'h Compliance Customer's Satisfaction</td>
<td>(H_{1.3})</td>
<td>(P_{4.3})</td>
<td>0.355</td>
<td>****</td>
</tr>
<tr>
<td><strong>Sub-section Table (DE)</strong></td>
<td>General Service Financial performance</td>
<td>(H_{2.1})</td>
<td>(P_{5.1})</td>
<td>0.162</td>
</tr>
<tr>
<td>Social Responsibility Financial performance</td>
<td>(H_{2.2})</td>
<td>(P_{5.2})</td>
<td>0.083</td>
<td>****</td>
</tr>
<tr>
<td>Sharia'h Compliance Financial performance</td>
<td>(H_{2.3})</td>
<td>(P_{5.3})</td>
<td>0.506</td>
<td>****</td>
</tr>
<tr>
<td><strong>Sub-section Table (IE)</strong></td>
<td>Customer's Satisfaction Financial performance</td>
<td>(H_3)</td>
<td>(P_{5.4})</td>
<td>0.310</td>
</tr>
</tbody>
</table>

*** = < 0.01; **** = < 0.001= level significant and meaningful path coefficient

DE = direct effect path coefficient; (IE = Path coefficient that are components of the varies IEs

Four path coefficients, labelled \(IE\) in Table 3, are used to calculate the four \(IE\) shown in Table 4. The three path coefficients, labelled \(DE\) in Table 3, are used to calculate the total effect (TE) calculated in Table 4.

The results summaries in Table 3 show that three \(IE\) path coefficients are significant, at less than 0.001 while the remaining \(IE\) path coefficient is significant at less than 0.01. All of the three \(DE\) path coefficients are significant at less than 0.001.

The DE is depicted by the specific path coefficient (i.e., \(P_{5.1}\) to \(P_{5.3}\)) that is relevant to the specific hypothesis, while the IE involves the multiplication of the path coefficient (\(P_{5.4}\)) by one of the path coefficients (\(P_{4.1}\) to \(P_{4.3}\)) which is relevant to the specific hypothesis.
Factors Associated . . . r. Abdel Baset, Dr. Khaled, Dr. Sultan 'Mohammadsaid', Dr. Wanas A.

Table 4: Calculations of IE, DE, and TE for Hypothesis H₄₁, H₄₂, and H₄₃ for Dubai Islamic banks

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Calculation</th>
<th>Path Coefficient</th>
<th>TE</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>H₄₁ (General Service- Customer's Satisfaction- Financial performance)</td>
<td>IE = P₅₄ × P₄₁</td>
<td>= 0.310 × 0.153</td>
<td>= 0.047</td>
<td></td>
</tr>
<tr>
<td></td>
<td>DE = P₅₁</td>
<td>= 0.162</td>
<td>= 0.162</td>
<td></td>
</tr>
<tr>
<td></td>
<td>TE = P₅₁ + (P₅₄ × P₄₁)</td>
<td>= 0.162 + (0.310 × 0.153)</td>
<td>= 0.209</td>
<td></td>
</tr>
<tr>
<td>H₄₂ (Social Responsibility - Customer's Satisfaction- Financial performance)</td>
<td>IE = P₅₄ × P₄₂</td>
<td>= 0.310 × 0.541</td>
<td>= 0.168</td>
<td></td>
</tr>
<tr>
<td></td>
<td>DE = P₅₂</td>
<td>= 0.083</td>
<td>= 0.083</td>
<td></td>
</tr>
<tr>
<td></td>
<td>TE = P₅₂ + (P₅₄ × P₄₂)</td>
<td>= 0.083 + (0.310 × 0.541)</td>
<td>= 0.251</td>
<td></td>
</tr>
<tr>
<td>H₄₃ (Sharia'h Compliance - Customer's Satisfaction- Financial performance)</td>
<td>IE = P₅₄ × P₄₃</td>
<td>= 0.310 × 0.355</td>
<td>= 0.110</td>
<td></td>
</tr>
<tr>
<td></td>
<td>DE = P₅₃</td>
<td>= 0.506</td>
<td>= 0.506</td>
<td></td>
</tr>
<tr>
<td></td>
<td>TE = P₅₃ + (P₅₄ × P₄₃)</td>
<td>= 0.506 + (0.310 × 0.355)</td>
<td>= 0.606</td>
<td></td>
</tr>
</tbody>
</table>

Using the relevant statistics and path coefficients from Table 4, DEs are identified and IEs calculated to enable TEs to be computed. Calculations relevant to the three hypotheses H₄₁, H₄₂, and H₄₃ are shown in Table 4. The path coefficient P₄₁ that is one of the path coefficients of the IE is significant (0.047), which indicates the result does support hypothesis H₄₁.

Similarly, the positive significant path coefficients that form the IE (0.168) in Table 4 supports the intervening effect of customer satisfaction hypothesised in hypothesis H₄₂. The result indicates customer satisfaction has a positive mediating effect on the relationship in hypothesis H₄₂. The path coefficient P₄₃ that is one of the path coefficients of the IE is significant (0.110) in Table 4 which suggests a positive mediating effect of customer satisfaction on the relationship in hypothesis H₄₃.

Discussion

Hypotheses H₁₁, H₁₂, and H₁₃ proposed that there are a positive and significant relationships between the provision of the following services (general services, corporate social responsibility services, and Sharia'h compliance services) by Islamic banks and customers' satisfaction. The results in Table 1 show positive and significant relationships for these paths coefficient (P₄₁, P₄₂, and P₄₃). Therefore, the results do support hypotheses H₁₁, H₁₂, and H₁₃. These findings are consistent with the results of the past studies (Abdullah and Kassim, 2009; Alhemoud, 2008; Al-Khater and Naser, 2003; Amin and Isa, 2008; Dusuki and Abdullah, 2007; Hamid and Norden, 2001; Jamal and Naser, 2003; Osman et al., 2009; Othman and Owen, 2000; Rod et al., 2008; TantaKalim and Lee, 2006). Hypotheses H₂₁, H₂₂, and H₂₃ proposed that there are positive relationships between the provision of the following services (general services, corporate social responsibility services, and Sharia'h compliance services) by
Islamic banks and financial performance. The results in Table 2 show positive and significant relationships for these paths coefficient ($P_{51}$, $P_{52}$, and $P_{53}$). Therefore, the results do support hypotheses $H_{2.1}$, $H_{2.2}$, and $H_{2.3}$. These evidences support the findings predicted by the prior studies (Dusuki and Abdullah, 2007; Dusuki and Dar, 2006).

Results in Table 2 show a significant and positive-path coefficient $P_{54}$, which support hypothesis $H_3$. The findings are consistent with results of prior studies (Dusuki and Dar, 2006; Jamal and Naser, 2003).

Results in Table 4 show a positive IE for the mediating effect of customers' satisfaction on the relationships between the provision of the following services (general services, corporate social responsibility services, and Sharia'h compliance services) by Islamic banks and financial performance, the positive paths coefficient $P_{41}$, $P_{42}$, and $P_{43}$ are significant and therefore the IE does support hypotheses $H_{4.1}$, $H_{4.2}$, and $H_{4.3}$. However, the IE provides a meaningful indication of the intervening effect of customers' satisfaction as hypothesised in hypotheses $H_{4.1}$, $H_{4.1}$, and $H_{4.3}$ because paths coefficient $P_{41}$, $P_{42}$, and $P_{43}$ are less than 0.001. Therefore, it can be argued that the positive IE result for customers' satisfaction suggests customers' satisfaction has a positive mediating effect on the relationships between the provision of the following services (general services, corporate social responsibility services, and Sharia'h compliance services) by Islamic banks and financial performance.

### Conclusion

All the hypothesized relationships between (general services, CSR services, Sharia’h compliance) and customer satisfaction were found to be positively significant.

All the hypothesized relationships between (general services, CSR services, Sharia’h compliance) and financial performance were found to be positively significant.

All the hypothesized relationships between [general services, CSR services, Sharia’h compliance and financial performance mediated by customer satisfaction were found to be positively significant.

Surprisingly, the present paper established the positive direct and indirect effects of Sharia’h compliance and financial performance. A positive relationship was found between customer satisfaction and financial performance consistent with results of past studies (Carden, R. and Delfriain, 2004; Eugene et al, 2004; Tantakasem, 2006). Sharia'h compliance results were consistent with some previous findings in the literature: that provision of Sharia'h compliance services is associated with customer satisfaction (Al-Khater and Naser, 2003; Abdullah and Kassim, 2009; Amin and Isa, 2008; Okumkus, 2005).

The third and original finding about Sharia'h compliance services adds to the body of extant knowledge because no previous study has investigated the mediating effect of
customer satisfaction on the relationship between Shariah compliance services and financial performance.

Limitations
Data from one bank in an undeveloped country may not generalize to the developed world; the precarious world background with its religious polarization may not be ready to add Shariah products; and given the present world financial context the present findings may not be stable over time.

Contributions of outcomes to research theory
Further evidence was found to help overcome the paucity or inconsistency of results for the separate relationships between Shariah compliance bank services and satisfaction of Jordanian bank customers. Provision of this evidence adds to the limited investigation, inconsistency of results, or absence of examination of the separate relationships between Shariah compliance services and the financial performance of Jordanian banks. Calculation of the indirect effects (IE) of Shariah compliance services and financial performance of Jordanian banks was via customer satisfaction. This was unexamined within management accounting literature or in customer satisfaction literature, so computation of results for these relationships will provide new evidence about its mediating effect.

Implications for practice
There are exciting implications for practice: for the banking market in an uncertain financial environment, using Shariah compliance services as an alternative added to their products can maintain sustainable business practices and customer satisfaction (as an important stakeholder group). A Shariah window in a multinational bank gives an option (for profit) to both entrepreneurs and the conventional banks’ shareholders where the infrastructure already exists, to retain existing and potential customer in a world increasingly sensitive to and demanding of social justice. The significant findings of the current study about customer satisfaction and financial performance have implications for banking management policies to broaden their product offerings in a competitive world interested largely in profits. For society, banks should be more socially responsible financial institutions; creating needed windows for Shariah compliance services worldwide contributes to this moral imperative.

Suggestions for future research
Knowledge about these relationships should help future research explore important emergent areas of Internet banking in the 300 plus worldwide Shariah compliance banks. This study can be replicated in other developed and developing Islamic countries to test for consistency in other markets, cultures, and populations’ of varying religious compositions. It lends support to the proposition that Shariah principles are financially practical as well as beneficial to society, which may be strengthened by results of future studies in other countries.
References


