



**ANALYSIS OF CUSTOMER SATISFACTION ON
EMPLOYEE PROFESSIONALISM: A COMPARISON
BETWEEN ISLAMIC AND CONVENTIONAL BANKS**

BY

AINATUL AQILAH BINTI KAMARUDIN

**A research paper submitted in fulfilment of the requirement
for the degree of Master of Science (Islamic Banking and
Finance)**

**IIUM Institute of Islamic Banking and Finance
International Islamic University Malaysia**

MAY 2017

ABSTRACT

Customer satisfaction on employee professionalism is a significant factor that can contribute to the success of a company or an industry. However, in the banking sector, the previous literatures merely focused on the definition of professionalism, and there are lacks of empirical studies regarding this area, especially in the Islamic banking industry. There is a need to compare the level of customer satisfaction on employee professionalism between Islamic and conventional banks as Islamic banking industry is still in the infant stage compared to the conventional banking industry, which has been established much earlier and has gained more trust and confidence from the customers. Therefore, this study aims to explore the comparison on the level of customer satisfaction on employee professionalism between Islamic and conventional banks. It also intends to determine whether the dimensions of employee professionalism are significant to their customer satisfactions. Moreover, this study also aims to examine how banks can strategize in order to improve customer satisfactions in the aspect of the employee professionalism. In methodology, this study uses a quantitative approach. Five hypotheses are built in this study, where questionnaires are distributed to a total of 312 respondents, which consists of 167 respondents of Islamic banks and 145 respondents of conventional banks. The results show that customers are more satisfied with conventional banks' employee professionalism in terms of their reliability, responsiveness, assurance, and empathy, while in terms of tangible, customers are more satisfied with Islamic banks' employees. In terms of significance of each dimension to customer satisfaction, the results are given in the perspectives of gender, age, race, religion, education level, occupation, income and respondents' period of being a customer to the bank. Another result shows that creating a positive work environment as well as improving customer service skills and not bringing personal problems during working hours are amongst the most important strategies and suggestions to improve customer satisfaction in the aspect of employee professionalism. Furthermore, it is also shown that customer service and *Shari'ah* compliant are the two most important factors to customers in attracting them to the banks.

خلاصة البحث

رضا العملاء على احترافية الموظف هو عامل مهم يمكن أن يسهم في نجاح شركة أو صناعة. ومع ذلك، ففي القطاع المصرفي، كانت الأدبيات السابقة تركز فقط على تعريف الاحتراف، وهناك نقص في الدراسات التجريبية المتعلقة بهذا المجال، ولا سيما في صناعة الصيرفة الإسلامية. هناك حاجة لمقارنة مستوى رضا العملاء عن احترافية الموظفين بين البنوك الإسلامية والتقليدية حيث أن صناعة الصيرفة الإسلامية لا تزال في مرحلة الرضيع مقارنة بالصناعة المصرفية التقليدية التي تم تأسيسها قبل ذلك بكثير واكتسبت المزيد من الأمل والثقة من الزبائن. لذلك، تهدف هذه الدراسة إلى استكشاف المقارنة على مستوى رضا العملاء عن احترافية الموظفين بين البنوك الإسلامية والتقليدية. كما أنها تعتمد تحديد ما إذا كانت أبعاد الكفاءة المهنية للموظفين هامة لرضا العملاء. وعلاوة على ذلك، تهدف هذه الدراسة أيضا إلى دراسة كيف يمكن للبنوك وضع الاستراتيجيات من أجل تحسين رضا العملاء في الجانب المهني الموظف. في المنهجية، تستخدم هذه الدراسة نهجا كميا. وقد تم بناء خمس فرضيات في هذه الدراسة، حيث تم توزيع الاستبيانات على مجموعة من 312 مشارك، يتألف من 167 مشاركا من البنوك الإسلامية و 145 مشاركا من البنوك التقليدية. وأظهرت النتائج أن العملاء أكثر ارتياحا لمهنية موظفي البنوك التقليدية من حيث موثوقيتها واستجابتها وضمائها وتعاطفها، بينما من الناحية الملموسة، فإن العملاء راضون أكثر عن موظفي البنوك الإسلامية. من حيث أهمية كل بعد من أبعاد رضا العملاء، يتم إعطاء النتائج في وجهات نظر الجنس والعمر والعرق والدين ومستوى التعليم والمهنة والدخل وفترة المشاركين كونه عميلا للبنك. وتظهر نتيجة أخرى أن خلق بيئة عمل إيجابية، فضلا عن تحسين مهارات خدمة العملاء وعدم جلب المشاكل الشخصية خلال ساعات العمل هي من بين الاستراتيجيات والاقتراحات الأكثر أهمية لتحسين رضا العملاء في الجانب المهني للموظفين. وعلاوة على ذلك، يتبين أن خدمة العملاء والمتوافقة مع أحكام الشريعة الإسلامية هما أهم عاملين في جذب العملاء إلى البنوك.

APPROVAL PAGE

I certify that I have supervised and read this study and that in my opinion, it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a research paper for the degree of Master of Science (Islamic Banking and Finance).

.....
Salina Hj. Kassim
Supervisor

This research paper was submitted to the IIUM Institute of Islamic Banking and Finance and is accepted as a fulfilment of the requirement for the degree of Master of Science (Islamic Banking and Finance).

.....
Syed Musa Alhabshi
Dean, IIUM Institute of Islamic
Banking and Finance

DECLARATION

I hereby declare that this research paper is the result of my own investigations, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

Ainatul Aqilah binti Kamarudin

Signature

Date

INTERNATIONAL ISLAMIC UNIVERSITY MALAYSIA

**DECLARATION OF COPYRIGHT AND AFFIRMATION OF
FAIR USE OF UNPUBLISHED RESEARCH**

**ANALYSIS OF CUSTOMER SATISFACTION ON EMPLOYEE
PROFESSIONALISM: A COMPARISON BETWEEN ISLAMIC
AND CONVENTIONAL BANKS**

I declare that the copyright holders of this research paper are jointly owned by the student and IIUM.

Copyright © 2017 Ainatul Aqilah binti Kamarudin and International Islamic University Malaysia. All rights reserved.

No part of this unpublished research may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise without prior written permission of the copyright holder except as provided below:

1. Any material contained in or derived from this unpublished research may be used by others in their writing with due acknowledgement.
2. IIUM or its library will have the right to make and transmit copies (print or electronic) for institutional and academic purposes.
3. The IIUM library will have the right to make, store in a retrieved system and supply copies of this unpublished research if requested by other universities and research libraries.

By signing this form, I acknowledged that I have read and understand the IIUM Intellectual Property Right and Commercialization policy.

Affirmed by Ainatul Aqilah binti Kamarudin

.....
Signature

.....
Date

This thesis is dedicated to my beloved parents, Kamarudin Abd Karim and Che Rahana Abd Rahaman for laying the foundation of what I turned out to be in life.

ACKNOWLEDGEMENTS

In the name of Allah SWT, I would like to thank Him, for all the blessings and strength that He has been bestowed upon me throughout my life. He is the One and Only, who helps me during difficult times. Peace be upon our beloved Prophet Muhammad, his family and all his companions.

First of all, I would like to express my appreciation to my beloved parents, Kamarudin Abd Karim and Che Rahana Abd Rahaman, for being the biggest support system financially and emotionally, throughout my studies and for their faith in me. Also, I would like to thank to all my sisters, Saidatul Izyanie, Nazhatul Hafizah, Izzatul Izwanie, and Zahratul Shahira, as well as my brothers-in-law, Khairul Mizan and Wan Mohd Haffiz, who contribute a lot of moral support and help me in completing my thesis. Thank you for always being there for me.

I would also like to express my deepest gratitude to my academic supervisor, Assoc. Prof. Dr. Salina H. Kassim for guiding and helping me. She taught me many lessons by giving valuable suggestions throughout my research. Besides, she always encourages me to write journals and articles. I will be always thankful for her support, inspiration and guidance. I am also indebted to all the lecturers and staffs at IIUM Institute of Islamic Banking and Finance (IIBF). My graduate experience benefitted greatly from the courses I took and the seminars that the institute organized.

Last but not least, thanks to all my friends and family members, especially Shakira Helmi, Maisarah Razali, Masyitah Rosmin, Nadiyah Shahira, Nurusysyifa Mohamad Nordin, Ruqayyah Abd Aziz, Noradilah Subar, Hanadi, A'dilah Zahari, Mazlinda, Nur Afiqah Alyaa, Kamaruzzaman, Nur Raihan, Rozihani Abd Rahaman, and Zulhasnan. Thank you for your greatest support.

TABLE OF CONTENTS

Abstract	ii
Abstract in Arabic	iii
Approval page	iv
Declaration	v
Copyright Page.....	vi
Dedication	vii
Acknowledgements.....	viii
List of Tables	xii
List of Figures	xiv
CHAPTER ONE: INTRODUCTION	1
1.1 Background of the Study	1
1.2 Problem Statement.....	5
1.3 Research Questions.....	7
1.4 Research Objectives.....	8
1.5 Significance of Study.....	8
1.6 Scope and Limitations	9
1.7 Organisation of the Study	10
CHAPTER TWO: LITERATURE REVIEW.....	12
2.1 Introduction.....	12
2.2 Customer Satisfaction.....	12
2.2.1 Definition of Customer Satisfaction	13
2.2.2 Empirical Studies on Customer Satisfaction.....	15
2.3 Professionalism.....	17
2.3.1 Concept of Professionalism from the Islamic Management Perspectives	17
2.3.2 Definition of Professionalism	18
2.3.3 Professionalism in the Banking Sector	20
2.4 Service Quality	22
2.4.1 Definition of Service Quality.....	23
2.4.2 Definition of SERVQUAL Method	24
2.5 Customer Satisfaction on Service Quality and Employee Professionalism.....	26
2.5.1 Empirical Studies on Customer Satisfaction and Service Quality	27
2.5.2 Empirical Studies on Customer Satisfaction and Employee Professionalism.....	30
2.6 Conclusion	33
CHAPTER THREE: OVERVIEW OF MALAYSIAN BANKING INDUSTRY.....	35
3.1 Introduction.....	35
3.2 The Development of Banking Industry in Malaysia.....	35
3.2.1 Banking Institutions	35

3.2.2 Islamic Banking	41
3.3 A Comparison of Performance between Conventional and Islamic Banks	43
3.3.1 Capital Adequacy	44
3.3.2 Efficiency of Earnings of the Banks	45
3.3.3 Liquidity of the Banks.....	46
3.3.4 Risk and Solvency of the Banks	47
3.4 Conclusion	48
CHAPTER FOUR: METHODOLOGY	50
4.1 Introduction.....	50
4.2 Conceptual Framework.....	50
4.3 Hypotheses Development	55
4.3.1 Hypotheses of the Study	55
4.3.2 Variables	58
4.4 Data.....	58
4.4.1 Sources of Data	58
4.4.2 Data Collection Method	59
4.4.3 Data Collection Tool.....	59
4.4.3.1 Questionnaire’s Construction	59
4.4.3.2 Questionnaire’s Administration.....	60
4.4.4 Sample Selection.....	61
4.4.4.1 Target Population	61
4.4.4.2 Sampling Location.....	62
4.4.4.3 Limitation	62
4.5 Method of Data Analysis	63
4.6 Conclusion	64
CHAPTER FIVE: RESULTS AND DISCUSSIONS.....	65
5.1 Introduction.....	65
5.2 Demographic Information	66
5.3 Level of Customer Satisfaction on Employee Professionalism: A Comparison between Islamic and Conventional Banks	71
5.4 Significant Dimensions of Employee Professionalism to Customer Satisfaction: A Comparison between Islamic and Conventional Banks	74
5.4.1 Gender	74
5.4.2 Age	76
5.4.3 Race.....	80
5.4.4 Religion	84
5.4.5 Education Level	87
5.4.6 Occupation	92
5.4.7 Income.....	97
5.4.8 Period of Being a Customer to the Bank.....	102
5.4.9 Hypothesis Acceptance and Rejection.....	106
5.4.9.1 Islamic Banks	107
5.4.9.2 Conventional Banks.....	110
5.5 Strategies to Improve Customer Satisfaction in the Aspect of Employee Professionalism	113

5.5.1 The Ranking of the Strategies: A Comparison between Islamic and Conventional Banks	113
5.5.2 Factors that Attract Customers to the Banks.....	114
5.5.3 Suggestions to Improve Employee Professionalism to Improve Customer Satisfaction.....	116
5.6 Conclusion	117
CHAPTER SIX: CONCLUSION	119
6.1 Introduction.....	119
6.2 Summary of the Results.....	119
6.3 Recommendations.....	130
6.4 Limitations and Suggestions for Future Research	131
6.5 Conclusion	132
REFERENCES.....	134
APPENDIX I: QUESTIONNAIRE SURVEY IN ENGLISH.....	141
APPENDIX II: QUESTIONNAIRE SURVEY IN MALAY	146

LIST OF TABLES

<u>Table No.</u>		<u>Page No.</u>
2.1	Measurement of Professionalism Used in 134 Studies in Medicine Field (1982-2002)	19
2.2	Paradigm Shift of Banking Business in India	32
3.1	List of the Banking Institutions in Malaysia	40
3.2	Comparison of the Average of Risk and Solvency Ratios between Islamic Banks and Conventional Banks	48
4.1	Definition of the Five Dimensions of SERVQUAL Model	51
4.2	A Modified SERVQUAL Model with 19-Item Scale	53
4.3	Hypotheses	55
5.1	Demographic Information	70
5.2	Level of Customer Satisfaction on Employee Professionalism: A Comparison between Islamic and Conventional Banks	73
5.3	Significant Dimensions of Employee Professionalism to Customer Satisfaction Based on Gender	75
5.4	Significant Dimensions of Employee Professionalism to Customer Satisfaction Based on Age	78
5.5	Significant Dimensions of Employee Professionalism to Customer Satisfaction Based on Race	82
5.6	Significant Dimensions of Employee Professionalism to Customer Satisfaction Based on Religion	85
5.7	Significant Dimensions of Employee Professionalism to Customer Satisfaction Based on Education Level	90
5.8	Significant Dimensions of Employee Professionalism to Customer Satisfaction Based on Occupation	95
5.9	Significant Dimensions of Employee Professionalism to Customer Satisfaction Based on Income	99

5.10	Significant Dimensions of Employee Professionalism to Customer Satisfaction Based on Period of Being a Customer to the Bank	104
5.11	Hypotheses Acceptance and Rejection (Islamic Banks)	108
5.12	Hypotheses Acceptance and Rejection (Conventional Banks)	112
5.13	Strategy's Rankings	114
5.14	Factors that Attract Customers to the Banks	115
5.15	Suggestions to Improve Employee Professionalism	117
6.1	Summary of Results for the Second Objective	121
6.2	Summary of the Results and Consistency with Research Objectives of the Study	127

LIST OF FIGURES

<u>Figure No.</u>		<u>Page No.</u>
3.1	Malaysia's Financial Sector	36
3.2	Implementation of FSMP and CMP 1 in Malaysia	38
3.3	Key Achievements of FSMP	39
3.4	Evolution of the Structure of Malaysian Financial System from 1980s to 2000s	39
3.5	Global Islamic Banking Assets' Shares in 2009	42
3.6	Development of Islamic Banking and Finance Industry in Malaysia	43
3.7	Trend of Tier 1 Ratio for Commercial and Islamic Banks from 2006-2011	44
3.8	Return on Average Asset (ROAA) and Return on Average Equity (ROAE) of Conventional and Islamic Banks	45
3.9	Liquid Assets-to-Deposits and Short-Term Funding of the Banks	46
4.1	SERVQUAL Model	51
4.2	SERVQUAL Model with 22-Item Scale	52
4.3	Summary of the Research Method	54

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

While returns and profits are very important to ensure the success of a company or an industry, another significant factor that can contribute to the success of a company is the professionalism of the company's employees (Carse, 1999). At the heart of employee professionalism, service quality is amongst the most critical aspects involving employees' attitude towards their customers (Veloski et al., 2005). Service quality has been shown to be positively related to customer satisfaction, where better service quality leads to a higher customer satisfaction (Amin and Isa, 2008). Customer satisfaction is vital as it gives many advantages to firms including attracting and retaining customers. According to Caruana (2002), unsatisfied customers will convey their negative impressions to the other customer through the creating of negative word-of-mouth, while satisfied customers, on the other hand, will engage in positive word-of-mouth advertising (File and Prince, 1992). Furthermore, previous literatures have shown that service quality is strongly related to customer loyalty and retention, which then lead to the rise in profits of the organisation (Salanova et al., 2005).

There are many definitions of professionalism given by the previous researchers. In the context of school management, Tomkins (1895) stated:

“Professional spirit, in general, is the feeling of urgency produced by an ideal, in order that the ideal may realize itself. It is the craving for the ideal to such extent that its realization is both the motive and the reward for the labor to realize it... (p.48). The ideal teacher is not one who has reached perfection, but one at the upper limit of the profession pushing vigorously for better things (p.93).”

In the medical professional, Swick (2000) highlighted that medical professionalism consists of essential elements, which are altruism, accountability, excellence, duty, service, honor, integrity, and respect for others, plus it is necessary to understand medical professionalism as it will result in a meaningful change that benefits both the profession of medicine and the society it serves.

In the banking industry in particular, MacIntyre (1981) proposes that the professional banking standards are not established by the individual bankers' decisions, but they are founded from three sources, which are the legal provisions that regulate the banking activities, the code of ethics that are elaborated by the corporations to develop their core values and guiding principles, and lastly, the codes of conduct that are developed by the professional associations within the industry. Recently, there have been several attempts to implement professional standards in the banking industry including the establishment of The Chartered Banker Professional Standards Board in 2011. According to Chartered Banker Professional Standards Board (2014), Commitment to Professionalism is published by the members of the Board to reinstate public confidence and trust in the industry as well as to stimulate a culture of professionalism amongst the individual bankers.

Moreover, De Tejada (2015) highlights that the bankers who understand their duty to uphold the purpose of the firm and demonstrate integrity, honesty and competency regardless of their jobs or positions are considered as upholding professionalism in the banking industry. Moreover, he adds that motivation is the most significant factor in developing a commitment to professionalism, where there are three theoretical foundations for professional motivation, which are rational motivations, normative-based motivations and motivations based on human emotions. Rational motivations are centered on the maximization of individual utility, while

normative-based motivations are related to duty and compliance, and lastly, motivations based on human emotions are described as a desire and disposition to serve others.

Furthermore, according to Alawiye-Adams (2012), professionalism in the banking industry stresses on the acquirement of a minimal basic formal education as well as passing an examination from the banking professional body to ensure the employee has a great skill and ability in the job. He adds that the employees of the banking industry should have some of the qualities such as high level of integrity, trust, impeachable characters, outstanding knowledge acquired from a sound professional training, as well as confidence and disciplined. Besides that, he also states that fraud and fraudulent practices such as cash burglary, conspiracies, money laundry, and betrayal of trusts are not common in the previous banking system, where the employees are more loyal and committed to good behaviour, honesty and responsibility compared to the employees of the current banking industry due to the higher level of liberalization in banking licensing.

Thus, from the perspectives of professionalism from different professions, it can be perceived that professionalism consists of values that are needed to attain benefits and betterment. Therefore, this paper will perceive professionalism based on the SERVQUAL method of measuring service quality, which consists of five dimensions. The first dimension is tangible, which measures the appearance of the physical components. The second dimension is reliability, which measures the dependability of the service providers and their accuracy of performance. The third dimension is responsiveness, which measures the employees' promptness and helpfulness. The fourth dimension is assurance, which measures the employees' knowledge, courtesy, and their ability to inspire trust and confidence, and the last

dimension is empathy, which measures the attention given to the customers. In other words, the professionalism of the banks' employees will be attributed by tangible, reliability, responsiveness, assurance, and empathy, where these five dimensions will be focused on the employees rather than the institution.

In addition, the employee professionalism will be measured from the customers' perspectives, where their satisfaction towards the employee professionalism will be taken into account. According to Oliver (1980), customer satisfaction can be generally defined as solely meeting one's expectations. Customer satisfaction can be considered as the kernel of success in the current competitive business world (Jamal and Kamal, 2002). Furthermore, Bitner and Hubbert (1994) state that customer satisfaction gradually becomes the corporate goal as more companies strive for the quality of a product as well as the service quality. In addition, service quality is positively correlated with customer satisfaction (Amin and Isa, 2008).

A novel aspect of this study is that it would be focusing on professionalism in the context of the Islamic banking industry. Islamic banking industry has shown a tremendous growth for the past years. According to IFSB (2015), the compound annual growth rate of Islamic Finance and Banking industry is approximately 17% between 2009 and 2013, where the estimated assets are said to be around USD1.87 trillion on the first half of 2014. Furthermore, Asia is the third ranking region that accounts for the largest proportion of Islamic financial assets led by the Malaysian Islamic finance marketplace (IFSB, 2015). However, Islamic banking industry is still in infant stage compared to the conventional banking industry, which has been established much earlier, and as a result the conventional banking industry has gained more trust and confidence from the customers.

Consequently, the Islamic banking industry must be able to quickly respond to its customer's demand and meet their preferences as the environment has become very competitive. Therefore, it is very paramount for the banking industry, particularly the Islamic banking industry, to remain competitive and keep improving their sectors in all areas, including the area of employee professionalism. Alawiye-Adams (2012) opines that the unprofessional employees will hinder the growth of the banking industry. Therefore, there is a need to improve employee professionalism to ensure the success of the industry. Thus, this study will compare the level of customer satisfaction between Islamic banks and conventional banks, and identify the dimensions that are significant to the customer satisfaction as well as explore the ways for the banks to improve the customer satisfactions in the aspect of the employee professionalism to give recommendations to the banks in the area of employee professionalism.

1.2 PROBLEM STATEMENT

In the banking sector, every bank has a complaint unit so that the customer can easily express his or her concern regarding the bank, especially in terms of the service quality and the professionalism of the employees. There are a lot of complaints received by banks from their customers. For instance, a customer complains that an Islamic bank's employees is not helping him sufficiently in solving his issue (Gulf News, 2016). In this example, the customer expresses his concern about the unprofessionalism and unfairness of the bank's employees as they have failed to fulfill the customer's need. It is very crucial for the bank to understand its customers' needs, interests and concerns to gain their satisfaction and loyalty and reduce the number of complaints. Levesque and McDougall (1996) state that unsatisfactory customer

service will lower customer satisfaction and willingness to recommend the service to a friend, therefore, the rate of switching by the customers will increase.

Furthermore, there are many aspects that can impact the customer satisfaction, which includes employee professionalism and service quality of the organisation. The definition of professionalism in different fields especially medicine and education has been discussed immensely by the previous literatures. Different fields provide specific attributes of a professional as a definition of professionalism. For example, in the medical professional, professionalism embraces the qualities such as humanity, empathy, trust, attitude, and ethics (Veloski et al., 2005). Accordingly, in the banking industry, in order to be a professional, one must have the qualities such as skill and knowledge, honesty, integrity, confidence and disciplined (Alawiye-Adams, 2012). The definition of professionalism given by the previous studies is very broad. There are numerous attributes of a professional, but there is no single model to define professionalism. Therefore, in this study, the five dimensions of SERVQUAL model of measuring service quality, which includes reliability, responsiveness, assurance, empathy and tangible, will become the variables of professionalism in the banking sector.

Besides that, it is paramount to strategize improvement among bank employees, especially Islamic bank employees as Islamic banking industry is still in infant stage compared to the conventional banking industry. As stated before, employee professionalism is important to increase customer satisfaction towards the organisation. Customer satisfaction is vital as it can retain and attract customers as well as increase the profit of the organisation (Salanova et al., 2005). The other importance of improving employee professionalism includes conflict minimization and promotion of respect and accountability (Scott, 2017). He added that well-dressed

employees, who act professionally, tend to feel better about themselves, and are encouraged to perform better for their clients.

In addition, the importance of employee professionalism can outweigh other factors in attracting and retaining bank customers as banks tend to offer homogenous product, and price competition can be detrimental to the banking industry in the long run. The environment of banking business has changed immensely towards a customer-oriented business due to the rise in the competition amongst the banks. Therefore, banks need to differentiate their organisations by improving the customer service as customers are expecting better services from the employees. In the study led by Devasana (2013), it is found that the employees' behaviours, which include knowledgeable, punctuality, politeness, friendliness, efficiencies, and highly-motivated are amongst the significant factors in increasing customer satisfaction. For the Islamic banks, which is established well ahead, improving employee professionalism can be a way for them to brand their products.

1.3 RESEARCH QUESTIONS

In line with issues highlighted in the previous section, this study intends to answer the following research questions:

- 1) What is the level of customer satisfaction on employee professionalism of Islamic banks and conventional banks? Are there differences between the two?
- 2) Are the dimensions of employee professionalism significant to their customer satisfactions?
- 3) Are there any possible enhancement strategies that can improve or increase customer satisfaction on employee professionalism?

1.4 RESEARCH OBJECTIVES

Customer satisfaction on employee professionalism is one of the importance issues in the banking industry since it can be categorized as a major consideration to attract and retain customers. However, the current banking industry still receives complaints from customers regarding the services. Having that condition, the general objective of this study is to explore the level of customer satisfaction on employee professionalism in the banking sectors. The specific research objectives of this study are to:

1. Compare the level of customer satisfaction on employee professionalism between Islamic banks and conventional banks;
2. Determine whether the dimensions of employee professionalism are significant to their customer satisfactions; and
3. Examine how banks can strategize in order to improve customer satisfactions in the aspect of the employee professionalism.

1.5 SIGNIFICANCE OF STUDY

Professionalism of employees is very crucial to the existence of the banking institutions as it has significant impact on customer satisfaction, consequently the performance and profitability of the banks. According to Caruana (2002), unsatisfied customers will convey their negative impressions to the other customer through the creating of negative word-of-mouth, while satisfied customers, on the other hand, will engage in positive word-of-mouth advertising (File and Prince, 1992). Furthermore, there is a very few empirical research being done on the importance of service quality dimensions in determining customer satisfaction (Fisk et al., 1993; Levesque and McDougall, 1996), plus Amin and Isa (2008) state that more researches should be

considered to gather more information regarding the service quality and customers' satisfaction dimensions in context of the Malaysian Islamic banking industry.

The banks need to take a serious note on the complaints made by the customers, which includes the complaints on the employee professionalism, and strategize improvement among the bank employees to further improve customer satisfaction. Improving employee professionalism is crucial as the environment of banking business has changed immensely towards a customer-oriented business due to the rise in the competition amongst the banks. If these issues are being addressed, then the banking industry will grow tremendously as stated by Alawiye-Adams (2012), who opines that a great quality of manpower will influence the success of an industry. This includes attracting and retaining customers, increasing reputation as well as generating profits. Therefore, there is a need to do a study on the level of customer satisfaction on the service quality, particularly on the employee professionalism, and determine the dimensions of employee professionalism that are significance to the customer satisfaction, and examine the possible ways to improve the employee professionalism. These objectives are crucial as improvement steps can be taken according to the output of the research.

1.6 SCOPE AND LIMITATIONS

The scope of this study is divided into three points. First, this study only concentrates on five attributes or dimensions of professionalism, which is taken from SERVQUAL model, which includes reliability, responsiveness, assurance, empathy, and tangible. Second, this study only focuses on both Islamic and conventional banks in Malaysia. According to Bank Negara website (2015), there are 16 licensed Islamic banks, which

include Maybank Islamic Berhad, CIMB Islamic Bank Berhad, Bank Muamalat Malaysia Berhad, Bank Islam Malaysia Berhad, and AmBank Islamic Berhad.

On the other hand, some examples of the numerous conventional banks in Malaysia are Public Bank Berhad, Affin Bank Berhad, RHB Bank Berhad, CIMB Bank Berhad, and Citibank Berhad. Third, this study is only limited to 312 respondents, where there is 167 respondents for Islamic banks, and 145 respondents for conventional banks. The reason why this study is only limited to 312 respondents is because of the limited time and budget constraint.

1.7 ORGANISATION OF THE STUDY

The study is organized into six chapters. The first chapter explains the background of the study, problem statements, research questions and objectives, significance of the study, scope and limitations as well as organisation of the study.

The second chapter mainly discusses the literature review, where relevant studies are analyzed in the context of the study and subsequently, to identify the research gap. This chapter comprises of six sections including introduction, basic concept of customer satisfaction, professionalism, and service quality, the relationship between customer satisfaction and service quality as well as the link between customer satisfaction and employee professionalism in the banking sector, in order to give a clearer idea about the research area.

In the third chapter, the background of the development of Islamic banks and conventional banks in Malaysia is illustrated. The performances of both Islamic and conventional banks will be further explored. This section is important as it gives a better understanding towards the banking industry in Malaysia.