



**THE EFFECTS OF SERVICE QUALITY, UNIVERSITY
REPUTATION, STUDENT SATISFACTION AND
ISLAMIC ATTRIBUTES ON STUDENT LOYALTY**

BY

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ABSTRACT

As time passes, competitions among businesses are increasing very much. Businesses are trying many methods to safeguard themselves against these severe competitions, which reduce a firm's revenue as well as profitability. Firms are trying to invest more to know their customers better in order to serve them better and in order to retain them for a long period of time. Retaining customers is cheaper for the firms than attracting new customers. Also by knowing customers better and serving them better than competitors, will make the customers loyal to a firm. This loyalty is a tool that firms use to protect them against their competitors. This study focuses more on Muslim student perceptions about their loyalty in their higher educational institutions in the Klang Valley area. Thus, the causal relationships between different constructs will be analysed to better understand what affects student loyalty. This study is an empirical one, focusing on data collected from students through self-administered questionnaires at their higher education institution based on convenience sampling method. 404 questionnaires were used for data analysis. Data is analysed through SPSS and SmartPLS, which are social statistics software used for data analysis. The findings suggest that service quality did not have any effect on student loyalty whereas the student satisfaction, corporate reputation of the institution as well as Islamic attributes of the institutions affected student loyalty. We can see from this research that the Islamic attributes as well as other factors like corporate reputation and satisfaction are important elements that affect student loyalty with its institution. More importantly, educational institutions that try to attract Muslim students should focus more on the Islamic attributes. The main limitation of this study is that data was collected only from a few institutions. According to the researcher knowledge, this is the first empirical study that focuses on Islamic attributes among higher education students.

خلاصة البحث

بمرو الوقت، تتزايد المنافسة بين الشركات كثيرا، و لذلك تحاول الشركات استخدام العديد من الأساليب لحماية أنفسها ضد هذه المنافسة الشديدة التي تقلل من إيرادات الشركة وأرباحها. ولذلك تحاول الشركات إستثمار المزيد من الجهد لمعرفة الزبائن بشكل أفضل من أجل تقديم خدمة أفضل لهم، وحرصاً على الاحتفاظ بهم لفترة طويلة من الزمن، فالمحافظة على العملاء أرخص بالنسبة للشركات من جذب عملاء جدد. أيضا من خلال معرفة أفضل للعملاء وخدمتهم بشكل أفضل من المنافسين، سيصبح العملاء أكثر تمسكا وإقبالا على الشركة. هذا الولاء هو الأداة التي تستخدمها الشركات لحمايتها ضد منافسيها. تركز هذه الدراسة على أكثر تصورات الطلبة المسلمين حول ولائهم لمؤسسات التعليم العالي في منطقة كلانج فالي. وبالتالي، لقد تم تحليل العلاقات السببية بين بنيات مختلفة لفهم ما يؤثر على ولاء الطالب. هذه الدراسة تجريبية، تركز على البيانات التي تم جمعها من الطلاب من خلال الاستبانة الذاتية في مؤسسات التعليم العالي معتمدة على أخذ العينة المناسبة. وهي 404 استبانة واستخدم لتحليل البيانات برنامجا Spss، SmartPLS وكلاهما برنامج إحصائي للدراسات الإجتماعية. وحللت البيانات من خلالهما وتشير النتائج إلى أن جودة الخدمة لم يكن لها أي تأثير على ولاء الطالب في حين أن المظاهر والمميزات الإسلامية للمؤسسات ، والإرتياح والرضا الطلابي بالإضافة إلى سمعة المؤسسة كان لها أثر إيجابي على إقبال الطالب . يمكننا أن نرى من هذا البحث أن للسمات الإسلامية فضلا عن عوامل أخرى مثل سمعة الشركة ورضا الطلاب من العناصر الهامة التي تؤثر على ولاء الطالب. الأهم من ذلك، ينبغي للمؤسسات التعليمية التي تحاول جذب الطلاب المسلمين أن تهتم وتدعو أكثر لتطبيق المظاهر والسمات الإسلامية. و الحدّ الرئيس لهذه الدراسة هو أن البيانات تم جمعها من عدد قليل من المؤسسات. وعلى قدر علم الباحث، فإن هذه هي أول دراسة تجريبية تركز على أثر المظاهر الإسلامية بين طلبة التعليم العالي.

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 dissertation for the degree of Master of Science (Marketing).

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DECLARATION

I hereby declare that this dissertation 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.

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CHAPTER 1

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Higher education is a contributor to the economic competitiveness of any country. By gaining knowledge through higher education, an individual can help himself fulfil his goals and wellbeing whilst bettering society (Bauk and Jusufranic, 2014). Some societal benefits of having an educated population is greater labour productivity, ease of use of new technologies, healthy lifestyles, increase in savings, and fewer crimes (Yang and McCall, 2014). Education is becoming more like a business due to strong competition (Bauk and Jusufranic, 2014; Priya and Kumaran, 2014). These strong competitions are largely due to globalization that creates global rivals instead of national rivals. This partly explains why education is becoming like a business (Maheshwari, 2012). In the higher education sector, students are considered the customers (Priya and Kumaran, 2014; Stockley, 2011). Universities are giving more consideration to students by treating them as customers for the services they purchase to meet their expectations and needs (Thomas, 2011a).

One of the goals of the universities is to increase student loyalty as it brings many benefits to the university. Loyal students bring such benefits such as positive word of mouth, enhance student retention, and encourage students to further their studies. For such reasons, student loyalty serves as a competitive tool in this competitive international educational market (Thomas, 2011a). Student loyalty is becoming an important strategic issue for universities (Helgesen and Nettet, 2007).

1.2 PROBLEM STATEMENT

The Muslim market is a huge market. In 2010, the population of Muslims was 1.6 billion which represented 23% of the world population. This figure is projected to be around 2.8 billion in 2050, which will be 29.7 % of the world population (The Pew Forum, 2015).

Although many studies have been focused on customers, few have addressed the Muslim market. Islamic marketing is a new concept with limited research. Most researchers concerned with Muslim marketing have been so in the context of Islamic finance (Hussnain, 2011).

In order to tap this market, a good understanding of the Muslim market will make sense. As stated by Temporal (2010), education is among the five segments that have to be targeted.

The Islamic attributes can be a source that attracts Muslim students to higher education sector. Without these attributes being present, it can be a loss to the higher institutions as they will be losing a large amount of revenue.

In today's world, there is much competition among businesses and the intensity of the competition increased due to international competition from foreign competitors (Wörner, 2014). New forms of businesses are substituting old form of businesses like online based businesses competing with brick and mortar businesses (Gebhardt, 2010).

Assuring customer loyalty is important for a business to survive, especially in a competitive business environment (Joshi, Chirputkar, and Jog, 2015). Competition is also affecting the education sector including the higher education sector (Bagley and Portnoi, 2014).

Many studies have been conducted on student loyalty. However, most of them focus on student satisfaction, university reputation or image, and service quality. To the researcher's knowledge, no research has been conducted on the indirect effect of Islamic attributes on student loyalty. Therefore, this current research investigates the relationship of student satisfaction, university reputation, and service quality on student loyalty, as well as the mediating effect of student satisfaction in the relationship between Islamic attributes and student loyalty.

1.3 RESEARCH QUESTIONS

1. Does service quality affect student loyalty?
2. Does student satisfaction affect student loyalty?
3. Does university reputation affect student loyalty?
4. Do Islamic Attributes affect student satisfaction?
5. Do Islamic attributes affect student loyalty?
6. Does student satisfaction mediate the relationship between Islamic attributes and student loyalty?

1.4 OBJECTIVES OF THE RESEARCH

1.4.1 General objective of the study

This research seeks to determine whether service quality, university reputation, and student satisfaction affect student loyalty along with the mediating role of student satisfaction between Islamic attributes and student loyalty. Moreover, this research attempts to find the mediating effect of student satisfaction in the relationship between Islamic attribute and student loyalty.

1.4.2 Specific objectives of the study

1. To determine the impact of service quality on student loyalty.
2. To determine the impact of student satisfaction on student loyalty.
3. To determine the impact of university reputation on student loyalty.
4. To examine the impact of Islamic attributes on student satisfaction.
5. To find the relationship between Islamic attributes and student loyalty.
6. To investigate the mediating role of student satisfaction in the relationship between Islamic attributes and student loyalty.

1.5 SIGNIFICANCE OF THE STUDY

This study will add to the body academic research by increasing our understanding of the mediating role of student satisfaction in the relationship between Islamic attributes and student loyalty.

In the managerial field, by knowing the service quality of the university, management can know whether their students who are the customers of their university are happy with the current level of service. This can serve as a guideline as to whether to maintain the current level of services or to improve it.

As for satisfaction, management can know whether their students are happy or not. An unhappy student can be a very risky business for the university as the unhappy student can spread negative perceptions about the university. If the students are satisfied, they will try to attract others to study in this university. Additionally, satisfied students will try to participate in classes and contribute to academic research that can help the university reputation.

As for the university reputation, it helps management better understand how the students view this university.

As for the Islamic attributes, management will better understand how best to care of Muslim students, their tastes, preferences, beliefs, and so on. This can help management take better care of the students. By being able to serve the Muslims students better, the university will be able to have a competitive advantage over other universities.

In the managerial field, this research is an important contribution as by knowing students better than competitors, it gives a university a competitive advantage over its competitors. By knowing what a student likes, a university can switch its resources to better satisfy student needs and avoid wasting resources on things that students do not value. In addition, a university can promote itself on its competitive advantage. This is because no one possesses this unique characteristic and it will be able to create a unique position in students' minds. In addition, as many firms compete at the international level, they have to be aware of the different mindsets of customers and consumers around the world.

1.6 ORGANISATION OF THESIS

The chapter introduces the theoretical underpinnings for developing the hypotheses tested in this thesis. Chapter two details the conceptual model to illustrate the relationships between the hypotheses. Chapter three explains the research design. Chapter four articulates the data analysis methods and the subsequent results, while chapter five presents the research conclusions and offers recommendations for future research and policy.

CHAPTER 2

LITERATURE REVIEW

2.1 INTRODUCTION

This chapter reviews the relevant literature from which each construct will be defined. The first construct that will be discussed is service quality, followed by student satisfaction, corporate image/reputation, Islamic attributes, and student loyalty. After that, a conceptual diagram is presented.

2.2 SERVICE QUALITY

2.2.1 Quality in Islam

ALLAH enjoins *Ihsaan* in the Quran in chapter 16 verse 90. In this verse, *al-Ihsaan* means that one should have patience in doing good deeds for the sake of Allah only and this act should be in accordance with the legal approaches exemplified by the Prophet Muhammad.

In the 17th hadith of al-Nawawi, it is stated that Allah enjoins excellence in everything. *Al-Ihsaan* means doing actions in the best way and with the highest quality. In addition, *al-Ihsaan* means perfecting one's actions and acting in the best manner towards others. A Muslim should not be satisfied with simply doing a task but after performing a quality job (Zarabozo, 1999).

2.2.2 Quality

Quality is very difficult to be described (Takeuchi and Quelch, 1983). Quality is very difficult to describe, as it is something that is abstract. Quality is usually attached to an object or an act or deed (also known as a service) to give it meaning. For example,

quality independent of things does not have any meaning, but when it is attached to an object or a service and when the object or the service is compared with another object or service, then its intended meaning begins to emerge.

Only a handful of academic researchers have tried to define and model quality as it is very difficult to do so. According to some scholars, a single universal definition of quality cannot be possible, as well as quality is difficult to define as it is an abstract and an intangible construct (Parasuraman, Zeithaml, and Berry, 1985). Accordingly, scholars proposed many perspectives in defining quality (Garvin, 1984).

One of the commonly used definitions of quality is that of Garvin where he uses five perspectives to define quality namely transcendent approach, product-based approach, user-based approach, manufacturing-based approach, and value-based approach (Garvin, 1984).

The transcendent-based approach denotes that quality is difficult to express but it is experienced. For example, if we ask someone to tell us how he found the taste of the food, there is no exact term but in general the person will say it's good or bad but he cannot describe the exact taste

The product-based approach defines quality as a product that contains more of a particular ingredient. For example, a car with more speed is considered higher in quality than that with low speed. In this case, quality can be measured based on the performance of the product.

The manufacturing-based approach is that quality is defined as to how much the product conforms to certain design standards, company internal standards, and specifications.

The value-based approach means that quality of the product is based on the price of the product; the higher the price the more the higher is the quality of the

product. For example, consider someone buying a proton and a Ferrari; of course, he will consider the quality of the Ferrari to be higher as the price of the Ferrari is much higher than the proton. The more a product is able to satisfy someone's wants or needs, the higher the consideration of the quality of the product. Any product that fulfils someone's desires or needs is a quality product. This is the meaning of the user-based approach (Garvin, 1984).

The product-based quality approach and the manufacturing-based quality approach allows a more objective assessment of quality, whereas the user-based quality approach is subjective assessment of quality and it is based on customer perceptions (Sebastianelli and Tamimi, 2002). Some definitions of quality are given in the below table.

Table 2.1 Some definitions of quality

Name of author	Definition of quality
(Shewhart, 1931)	Something with the positive attribute of conformance to specified standards
(Juran, 1951)	Fitness for use
(Feigenbaum, 1964)	The total composite product and service characteristics of marketing, engineering, manufacturing, and maintenance through which the product and service in use will meet the expectations of the customer
(Crosby, 1979)	Conformance to requirements
(Deming, 1982)	The efficient production of the quality that the market expects
(Webster, 1984)	Degree of excellence
(Ishikawa, 1985)	Narrowly interpreted, quality means quality of product Broadly interpreted, quality means quality of work, quality of service, quality of information, quality of process, quality of division, quality of people, including workers, engineers, managers, and executives, quality of system, quality of company, quality of objectives, etc. To control quality in its every manifestation is our basic approach
(Imai, 1986)	Anything that can be improved
(Taguchi, 1987)	Does not impart loss to society
(Spencer, 1994)	Satisfying or delighting the customer
(Goodman, O'Brien, and Segal, 2000)	Consistently producing what the customer wants, while reducing errors before and after delivery to the customer
(Dervitsiotis, 2003)	Meeting or exceeding the needs and expectations of the business stakeholders
(Oschman, Stroh, and Auriacombe, 2006)	Quality is the degree to added value to products and/or service delivery as perceived by all the stakeholders through conformance to specifications and the degree to added excellence to products and/or service delivery Through a motivated workforce, to meeting customer satisfaction
(Ijaz and Ali, 2013)	It is the thing that meets the customer's expectations that is helpful in gaining and Retaining customers

From the above definitions, quality can be defined in two broad aspects:

The product-based and manufacturing based approach; this was the view of Philip Crosby, Joseph Juran and Genichi Taguchi (Hoyer and Hoyer, 2001).

User-based approach; quality is anything that satisfies consumers' expectations when using or consuming a product. This was the view of Edwards Deming, Armand

Feigenbaum, Kaoru Ishikawa, Joseph Juran, Genichi Taguchi (Hoyer and Hoyer, 2001).

These days, customers' view is becoming more important in defining quality. This is because customers are the final users of the product. When quality does not match customers' taste or preference, the customers will avoid such products.

Similarly, the higher education sector depends on quality management to stay competitive (Yeo, 2008).

2.2.3 Service

In Greek, service is known as *Charizo*, which implies to do something good. In Latin, service is known as *Beneficium*, which means an act done to help someone else or doing something good. In Chinese, service is known as *Zuo Shan Shi*, which means doing good acts. In Japanese, service is known as *Hooshi* and it means that an act is done voluntarily or an act done for others without any compensation. In Swahili, service is known as *Kujitolea* and means giving yourself for helping others. In Sanskrit, service is known as *Seva* and it is still used today in Hindi. Other Sanskrit words for service are *Upakriya* or *purvoupakarini*. In all languages, a common meaning of service is to help others not oneself. The beneficiaries of the service could be the service provider and the society as a whole. In addition, service has different meanings based on different cultures, contexts, and time.

Service has different meanings based on different circumstances and perspectives. For example, for the service provider service has a different meaning, which for customers, service means something else. In such a way, there is no general definition of service, but service has a definition based on a certain perspective (Edvardsson, Gustafsson and Roos, 2005).

Service was defined in 1991 by Lovelock as, “a process or performance rather than a thing” (pp. 13). This means that services are acts or processes, but not objects. It is the application of specialised competencies (skills and knowledge), through deeds, processes, and performances for the benefit of another entity or the entity itself (self-service) (Vargo and Lusch, 2004a).

Service means activities, deeds, and interactions (Solomon, Surprenant, Czepiel, and Gutman, 1985; Lovelock, 1991; Zeithaml and Bitner, 2003; Vargo and Lusch, 2004b) and processes (Zeithaml, Bitner, and Gremler, 2009). A service is a subset of products (Edvardsson, 1997). Service is when the service provider tries to satisfy customers’ needs and wants (Fisk, Grove, and John, 2014).

The difference between service and product is based on intangibility. Goods possess some positive amount of tangibility. Services have negative tangibility. There is no such thing as pure goods or pure service dominant products. Each good is manufactured by the service of someone and service is produced by the help of something (Shostack, 1977).

2.2.3.1 Characteristics of service:

i. Intangible:

Services are actions, deeds, and performance rather than objects. Thus, it cannot be seen, touched, tasted, heard, or smelled (Kotler, 2000). In other words, service is not physical (Fitzsimmons and Fitzsimmons, 2006).

ii. Heterogeneity:

This means that the same outcome cannot happen all the time, there are regular changes and very difficult to standardise the products (Dhurup, Singh, and Surujlal,