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Identifying the gaps between customer expectations and perceptions on service quality dimensions of Islamic banks in Malaysia

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Abstract

Purpose – This paper aims to identify the gaps and differences between customer expectations and perceptions on service quality of Islamic banks in Malaysia based on six dimensions of service quality, namely, reliability, responsiveness, assurance, empathy, tangibles and Islamic Shari'ah compliance.

Design/methodology/approach – This study surveyed 179 customers who have first-hand experience with Islamic banking services in Malaysia. The research data were analysed using reliability analysis, independent samples *t*-test and one-way analysis of variance.

Findings – The results indicated that customers' perceptions failed to meet their expectations on the service quality of Islamic banks in Malaysia. The results also indicated that those customers (respondents) aged below 30 years have higher expectations on empathy from the Islamic banking service compared to other age groups. However, there is no significant difference between customer expectations and perceptions of Islamic banking service quality based on educational background and occupation.

Research limitations/implications – This research focused solely on Islamic banks in Malaysia and thus the results might not be applicable for other conventional banks.

Originality/value – The findings are expected to provide guidelines for enhancing the satisfaction level of clients of the Islamic banking system in Malaysia and other countries.

Keywords Malaysia, Islamic banking, Service quality, Customer expectations, Customer perceptions

Paper type Research paper

Introduction

Service quality of service plays an important role in attracting and retaining customers. This has been recognised as a strategic requirement in highly

competitive business environments (Parasuraman *et al.*, 1985; Zeithmal *et al.*, 1990). For increasing market share and profits, organisations deliver superior service quality (Buzzell and Gale, 1987). According to Parasuraman *et al.* (1985), service quality can be defined as the difference between customer's expectations for the performance of a service before the service is rendered and their perceptions on the service received. Similarly, Edvardsson (1998) stated that the customer's overall perception of the service has its basis on his/her perception of the service provided and how it was provided.

During the past three decades, academics (Gronoos, 1984; Parasuraman *et al.*, 1985; Cronin and Taylor, 1994; Teas, 1993) have increasingly examined the significant features of service quality and its measurement, as any organisation that hopes to successfully thrive should understand customers' expectations and perceptions of service quality. This in turn affects the customers' choice of service provider, satisfaction as well as their loyalty. Nowadays, many banking organisations are focusing more on service quality to meet their customer requirements.

In Malaysia, Islamic banking services are a key contributing factor to increasing the national gross domestic product. Today, Islamic banking and finance has emerged as an important component of the overall Malaysian financial system that contributes to the growth and development of the Malaysian economy. Since 2000, the domestic Islamic banking industry has been growing at a staggering average rate of 18 per cent per annum in terms of assets. It was the aspiration of the Malaysian Government to have a strong Islamic banking industry capturing 20 per cent of market shares of financing and deposits in the Malaysian financial industry by 2010. The latest figure of market shares for Islamic deposits and financing stood at 11.7 and 12.1 per cent of the industry's total, respectively. In this regard, the ability of the Islamic banking industry to capture a significant market share in a rapidly evolving and challenging financial environment, particularly in a dual-banking system like Malaysia, is dependent on the strategic positioning of its players to maintain their competitive edge and offer services and products that satisfy the needs of their customers.

Literature review
History of Islamic banking
Forty years ago, Islamic banking was an unknown term and its establishment was thought to be "wishful thinking". Only after the launch of the First International Conference on Islamic Economics organised by King Abdul Aziz University in Makkah, Saudi Arabia, and the establishment of the first commercial Islamic bank, Dubai Islamic Bank, in the United Arab Emirates, followed by the establishment of the Islamic Development Bank in Jeddah, Saudi Arabia, in the early 70s, did semi-private and private Islamic banks begin to operate in countries such as Egypt, Sudan, Kuwait and Bahrain. The Islamic banking system then started to assert itself as a viable and feasible alternative to financial intermediation as well as an efficient and productive means to undertake financial intermediation between surplus and deficit economic units (Iqbal and Molyneux, 2006).

From then on, Islamic banking has seen significant growth and has gained tremendous momentum, securing double-digit annual growth rates. Presently, Islamic

banking has proven itself not merely a transient structure in the banking world but as a force that is rapidly growing (Ariff, 1988). Currently, it is one of the fastest growing industries. From a mere few hundred thousand dollars in 1975, its size has grown leaps and bounds to reach hundreds of billions of dollars by 2010. Islamic banking is growing rapidly, spreading from the East to West, all the way from Indonesia and Malaysia to Europe and the Americas, and is not limited to Arab and Muslim countries. Interestingly, many conventional banks including some major multinational Western banks have also started using Islamic banking concepts. According to Iqbal and Molyneux (2006), Islamic banks have spread throughout the five continents. Presently, there are 396 Islamic banks in 48 countries whose total deposits have reached US$442 billion. This is to add to the 300 conventional banks, which opened branches or windows or provide Islamic financial products.

Overall, from its modest beginning in the 60s and early 70s, Islamic banking has reached a position where various mega-international banks are providing Islamic banking services and products. This is a testament that Islamic banking is well-established and recognised at the international level. In addition, this also showcases the various forms of Islamic banking and finance implementations in many parts of the world.

Differences between Islamic and conventional banking
According to conventional banking theories, banks earn profits through the purchase of transaction deposits from the depositors at a low rate of interest, and then resell the funds to the borrowers at a significant rate of interest (Bader *et al.*, 2008). In other words, conventional banks profit by capitalising on the interest rate provided by borrowers and the one paid by depositors.

An Islamic bank's function, on the other hand, is explained by Bader *et al.* (2008, pp. 24-25) as:

> Islamic banking performs the same intermediary function but does not receive a pre-determined interest from borrowers and does not pay a predetermined interest to the depositors; the amount of profits is based on the profit sharing agreements with the depositors and also with the borrowers. In addition, there are fee-based banking services that are similar to the conventional banks as long as there is no pre-determined interest payment/receipt in the transaction. Thus, Islamic banking is considered as a different banking stream as it prohibits interest and replaces with (a) profit share and (b) the profit share depends on the extent of the risk participation of the parties. The absence of pre-determined rewards is based on Qur'anic commands and as interpreted using shari'ah principles.

In essence, the main difference between the two types of banks (conventional and Islamic) lies in the Islamic banks' strict guidance by the *Shari'ah* and avoidance of activities like *riba* or *gharar* (excessive uncertainty). For instance, Islamic banks do not charge interest on financing but is based on a *musyarakah* (profit and loss sharing) basis (Hanif, 2011).

Importance of service quality
Service quality (SERVQUAL) plays an important role in customer satisfaction because it is the customers who are the patrons of the products or services. Consequently, efficient tools to assess service quality are invaluable to the companies who earn their

revenues or part of it from service delivery. Arguably, the most widespread service quality tool is SERVQUAL (Landrum *et al.*, 2009).

SERVQUAL was first developed by Parasuraman *et al.* (1988) as a generic instrument used for the measurement of service quality on the basis of focus group's inputs. Despite its development in the marketing sector, it is widely used in various organisational settings such as libraries and information centres (Nitecki, 1996). Since its inception, several researchers have used the 22-item scale to examine service quality in various sectors of the service industry with the inclusion of financial institutions (Gounaris *et al.*, 2003; Arasli *et al.*, 2005).

SERVQUAL is based on the rationale that the degree of service quality perceived by customers can be measured between customer's expectations and what they actually receive from the provider. Based on Parasuraman *et al.* (2005) and various other researches (Markovic, 2006; Sahu, 2006; Wu *et al.*, 2004; Siu *et al.*, 2001; Al-Tamimi and Al-Amiri, 2003), there are five facets of service quality; tangibles comprising physical facilities, equipment and personnel appearance; reliability comprising ability to perform the promised service in a dependable and accurate way; responsiveness comprising willingness to help customers and to provide timely service; assurance comprising knowledge and courtesy of employees and their ability to attract trust and confidence; and, finally, empathy comprising caring and individualised attention that the customers are recipients of.

Parasuraman *et al.* (1988) considered perceived quality as a by-product of the difference between consumers' expectations and their perceptions of the actual service provided. They conducted a study categorising 97 items into ten dimensions, of which five are retained through the use of 22 items. Every individual item is further sub-divided into two items; one that measures expectations, while the other measures the perceptions of the services provided by any company.

A total of five service sectors (repair and maintenance of small electrical appliances, banking, long distance telephone, title brokerage and credit cards) were considered to develop the scale (Nyeck *et al.*, 2002), and hence, Parasuraman *et al.* (1988) presumed that SERVQUAL has numerous potential applications. For instance, it can be utilised for the evaluation of customers' expectations and to measure their perceptions of the different services and organisations. As a result, several researchers have made use of SERVQUAL to measure service quality in the context of banking, professional services, advertising, health, retail trade and fast food (Nyeck *et al.*, 2002).

However, SERVQUAL's dimensions and psychometric properties have been the subject of debate, as researchers who have experience in its use fail to reach a standard dimension. This leads to the unstable factorial structure and the unproven invariance across the sectors. This validates Babakus and Boller's (1992) conclusion that measuring service quality is a major undertaking. Suffice it to say that the results concerning the validity of SERVQUAL is not so rigorous as the suspended conclusion of its dimensionality and psychometric properties are mentioned in other studies that provide a comparative study of works that have used SERVQUAL (Asubonteg *et al.*, 1996; Csipak *et al.*, 1994; Yavas and Benkenstein, 2007; Hui *et al.*, 2011; Ghasemi *et al.*, 2012; Meybodi, 2012; Siam and Gorji, 2012; Rakesh, 2012; Manaf *et al.*, 2013).

Service quality in Islamic banks

The Islamic banking system has gained global popularity (Nasser, 2008), as evidenced by the current number (396) of Islamic banks and financial institutions located in Asia, Africa, Europe and the Americas, with over 9,500 branches and approximately $442 billion operating capital. Its popularity is not confined to Islamic banks but large international conventional banks have also begun showing interest in it. For example, Citibank has branches located in Bahrain and Sudan which are operating according to Islamic *Shari'ah* principles. This reality has added to the Islamic banks challenges, as those who are operating in Islamic countries face great competition from both Islamic banks and conventional banks.

Although the Islamic banking system seems different from its conventional counterpart, certain similarities can be traced. For example, an Islamic bank generally conducts activities according to the principles of Islamic *Shari'ah* with interest or receipt of interest prohibited. On the other hand, it may also offer products and services similar to those offered by its conventional counterpart (Naser *et al.*, 1999).

With intensive competition and the fact that banks are offering products and services that are similar, customer satisfaction through quality service becomes the deciding factor that can affect Islamic banks' performance and consolidates its competitive edge and success. Therefore, it is of utmost importance to study the level of customer satisfaction in Islamic banks.

Methodology

This study collected data by means of self-administered questionnaires. The research instrument was developed in Sections A, B and C. Section A pertains to the respondents' demographic information such as gender, age, nationality, educational background and occupation. Section B was developed based on customer expectations of Islamic banking service quality. This section measures six dimensions of Islamic banking service quality, namely, reliability, responsiveness, assurance, empathy, tangible and Islamic *Shari'ah* compliance. Similarly, Section C pertains to customer perceptions of Islamic banking service quality based on the same six dimensions. Both Sections B and C were measured by 29 items and used a five-point Likert scale to evaluate the responses. In this study, 350 questionnaires were distributed to the respondents who have experience in using Islamic banking services in Malaysia. Out of the 350 distributed questionnaires, the researchers received 179 responses that gave a response rate of 51.14 per cent. The research questionnaires were distributed to the respondents in different places in Malaysia. A small gift as incentive was offered with each questionnaire to increase the response rate, but participation was entirely voluntary. Having conducted the survey, the data were analysed according to mean, reliability analysis, independent samples *t*-tests and one-way analysis of variance (ANOVA) via SPSS version 19.

Data analysis

This study comprises four sections of data analysis. The first section is descriptive analysis based on the demographic information of the respondents. The second section discusses the validity and consistency of the research instrument. The third section measures the gap between expectations and perceptions on service quality dimensions of Islamic banks in Malaysia. Finally, the fourth section performs a comparative

analysis between expectations and perceptions on service quality of Islamic banks based on demographic variables by using independent samples *t*-tests and one-way ANOVA.

Demographical profile of the respondents
The initial objective of this research is to gauge customer satisfaction level through the SERVQUAL model for Islamic banks in Malaysia. To fulfil this objective, a survey was conducted for the present study. The total sample size was 179, and data were collected from different states of Malaysia. The sample size followed the rule of thumb for determining sample size, which should be larger than 30 and less than 500 (Roscoe, 1975; Sekaran and Bougie, 2010). The demographic profile included gender, age, nationality, education and occupation.

According to Table I, there were more male respondents than female respondents. Out of 179 respondents, 94 male respondents represented 52.2 per cent of the total sample size, whereas 85 female respondents represented 47.8 per cent. Different aged respondents participated in this study. The highest number of respondents was 106 and belonged to the 30 and below group, which represents 60.3

Demographic variable	Frequency	(%)
Gender		
Male	94	52.2
Female	85	47.8
Age group		
Below 30 and 30 years	108	60.3
31-40 years	56	31.3
41-50 years	8	4.5
51 years and above	7	3.9
Nationality		
Malaysian	111	63.4
International	64	36.6
Highest level of education		
SPM	6	3.4
STPM	6	3.4
Diploma	8	4.5
Degree	72	40.2
Master's	68	38.0
PhD	18	10.1
Others	1	0.6
Occupation		
Business	11	6.7
Professional	5	3.0
Lecturer	30	18.3
Student	103	62.8
Government employee	8	4.9
Others	7	4.3

Table I.
Demographic profile of the respondents

per cent of the total sample size. The second highest age group was 56 for the 31-40 years group, which represents 31.3 per cent. Only eight (4.5 per cent) and seven (3.9 per cent) respondents participated in the survey aged between 41 and 50 and above 50 years, respectively.

In this study, 111 respondents were Malaysian (63.4 per cent) and 64 were international (36.7 per cent). Based on the data, it was observed that most of the respondents' educational level was certificate/diploma (40.2 per cent). The second education level of the respondents was bachelor degree (38 per cent). Further, only 3.4 per cent, 4.5 per cent, 10.1 per cent and 0.6 per cent respondents' educational levels were SPM, STPM, PhD and other academic qualifications, respectively. Table I also illustrates that in terms of occupation, most of the respondents were engaged in studies. Altogether, 103 students participated in this research, which represented 62.8 per cent. Meanwhile, 30 (18.3 per cent) respondents were lecturers, 11 respondents (8.6 per cent) were businessmen, 8 respondents (4.9 per cent) were government employees, 5 respondents (3.0 per cent) were professionals and only 7 respondents (4.3 per cent) had other occupations.

Reliability analysis

According to Drost (2011), relability refers to the extent to which measurements of the particular test are repeatable. Hair *et al.* (2010, p. 137) asserted that reliability is an "assessment of the degree of consistency between multiple measurement of variables". In other words, reliability is the degree of uniform results on repeated trials given by an instrument (Sekaran and Bougie, 2010). According to Cooper and Schindler (2010) and Zikmund *et al.* (2010), the test–retest method, the alternative form method, the split-half method and the internal consistency method, which is known as Cronbach's alpha, are four common methods to measure reliability. The most popular method of testing the reliability of questionnaires is internal consistency, or Cronbach's alpha. Internal consistency is the degree of different items that are homogeneous in measuring the same underlying construct (Cooper and Schindler, 2010). It was introduced by Kuder and Richardson (1937) for dichotomous data and then generalised by Cronbach (1951). In this study, Cronbach's alpha was used to test internal consistency of 29 items for all dimensions, which are reliability, responsiveness, assurance, empathy, tangibles and compliance. Cronbach's alpha score ranges from 0 to 1, with values close to 1 indicating high consistency. Cronbach's alpha score is expressed as a correlation coefficient between two data sets. It is widely regarded that values of 0.70 or higher indicate good reliability (Sekaran and Bougie, 2010). More specifically, George and Mallery (2003, p. 231) provided the following rule of thumb: "_ > 0.9 – Excellent, _ > 0.8 – Good, _ > 0.7 – Acceptable, _ > 0.6 – Questionable, _ > 0.5 – Poor and _ < 0.5 – Unacceptable". This means the outcome of the measurement, in a repeated sequence of measuring, must be consistent. The greater the level of consistency in a repeated sequence, the greater the reliability. Reliability analysis using Cronbach's alpha was therefore conducted. The present study measured the five dimensions of service quality (i.e. reliability, responsiveness, assurance, empathy and tangible) according to Parasuraman *et al.* (1988) and an additional dimension, "Islamic *Shari'ah* compliance", which is adopted from Othman and Owen (2001).

Table II shows the individual dimensions of Cronbach's alphas for expectations and perceptions of Islamic banks customers in Malaysia. The alpha values ranged from

0.807 to 0.921 in the expectations scale and 0.712 to 0.893 for the perceptions, indicating that the results of this study were acceptable. Therefore, all items in the instrument were maintained.

Gap analysis between expectations and perceptions on service quality
Service quality gap is the difference between means of expectations and means of perceptions of customers or consumers (Parasuraman *et al.*, 1985). The gap score analysis is to enable the researcher to determine how customers perceive service quality in Islamic banks in Malaysia and to identify the dimensions of service quality they are satisfied with. This service quality gap is calculated by subtracting respondents' expectations from their perceptions (P-E).

Table III illustrates the mean scores of the expectations and perceptions of the customers of Islamic banks in Malaysia. The mean scores of the items ranged from 4.22 to 4.77 for expectations and 2.40 to 3.77 for perceptions. The results indicate that the highest gaps are in between customer expectations and perceptions on "Islamic *Shari'ah* compliance", whereas the lowest gaps occur on "tangibles". The overall results of the gap analysis indicate that the customers' perceptions on service quality of Islamic banks in Malaysia are less than their expectations. Therefore, Islamic banks need to introduce further initiatives to improve their service quality towards customer satisfaction and loyalty.

Comparative analysis between customer expectations and perceptions on service quality of Islamic banks

As previously alluded to, the researchers analysed six dimensions of Islamic banking service quality, namely, reliability, responsiveness, assurance, empathy, tangible and Islamic *Shari'ah* compliance based on independent samples *t*-test and ANOVA (Tables IV-VIII).

Independent samples t-*tests on Islamic banking service quality*
Independent samples *t*-tests were used to identify the differences or conformance between customer expectations and perceptions on service quality of Islamic banks in Malaysia based on gender and nationality (Tables IV and V). According to the results of independent samples *t*-test, there is no significant difference between customer expectations and perceptions on service quality of Islamic banks in Malaysia according to gender (male and female). However, Table V illustrates that there are two significant differences between Malaysian and international respondents on expectations of

Dimension	No. of items	Cronbach's alpha (expectations)	Cronbach's alpha (perceptions)
Reliability	5	0.921	0.751
Responsiveness	4	0.861	0.712
Assurance	4	0.807	0.806
Empathy	5	0.842	0.747
Tangibles	4	0.814	0.770
Islamic *Shariah* compliance	7	0.869	0.893
All six dimensions	29	0.944	0.913

Table II.
Cronbach's alphas
for individual
dimensions

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Items	Means (expectation)	Means (perception)	Gap (P-E)
Reliability			
When the bank promises to do something by a certain time, they should do so	4.5922	3.4302	−1.16
When customers have problems, the bank must show a sincere interest in solving it	4.6816	3.4134	−1.27
The bank should perform the service right the first time	4.5140	3.2737	−1.24
The bank should provide services at the time it promises to do so	4.6201	3.4637	−1.16
The bank should keep its records accurately	4.6648	3.3911	−1.27
Total 5 (five) items	4.615	3.394	−1.22
Responsiveness			
The bank should inform customers exactly when services will be performed	4.5363	3.1844	−1.35
Employees of the bank should give prompt service to customers	4.5531	3.2961	−1.25
Employees of the bank should always be willing to help customers	4.6257	3.3352	−0.1.29
Employees of the bank should never be too busy to respond to customer's requests	4.3911	3.1844	−0.120
Total 4 (four) items	4.527	3.250	−1.27
Assurance			
The behaviour of employees in the bank should instil confidence in customers	4.5196	3.4358	−1.08
Customers of the bank should feel safe in transaction	4.7095	3.7486	−0.96
Employees of the bank should be consistently courteous with customers	4.5251	3.5028	−1.02
Employees of the bank should have the knowledge to answer customer's questions	4.6760	3.3687	−1.30
Total 4 (four) items	4.608	3.514	−1.09
Empathy			
The bank should give customers individual attention	4.3017	3.4134	−0.88
The bank should have employees who give customers personal service	4.2291	3.2737	−0.95
The bank should have their customer's best interest in mind	4.4469	3.1397	−1.30
Employees of the bank should understand the specific needs of their customers	4.4469	3.4078	−1.04
The bank should have operating hours convenient to all of their customers	4.3520	3.2235	−1.12
Total 5 (five) items	4.355	3.292	−1.06

Table III.
Customer satisfaction and service quality gaps (all items)

Items	Means (expectation)	Means (perception)	Gap (P-E)
Tangibles			
The bank should have up-to-date/modern equipment	4.4804	3.5419	−0.93
The physical facilities of the bank should be visually appealing	4.3408	3.6816	−0.66
The bank employees should be well-dressed and appear neat	4.3743	3.7709	−0.60
Bank's materials associated with the service (such as pamphlets or statements) should be visually appealing	4.3743	3.5866	−0.78
Total 4 (four) items	4.392	3.645	−0.74
Islamic Shari'ah compliance			
Islamic bank should run on Islamic *Shari'ah* and principles	4.7709	3.0726	−1.70
Islamic bank should not take or pay any interest	4.7039	2.7039	−2.0
Islamic bank should offer Islamic products and services only	4.4637	2.9274	−1.53
Islamic bank should provide interest-free loans	4.5475	2.5531	−1.99
Islamic bank should offer profit-sharing investment products	4.6201	2.8883	−1.73
Islamic bank should contribute some portion of its profits towards the societal development	4.5754	2.4078	−2.16
Islamic bank should perform its task by upholding justice based on the teachings of Holy Qur'an and the *Sunnah*	4.7709	2.5922	−2.17
Total 7 (seven) items	4.636	2.735	−1.901
All 29 items (overall)	4.52	3.30	−1.21

Service quality dimensions

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Table III.

Variables	Gender	n	Mean	Expectation t-value	Significance	Mean	Perception t-value	Significance
Reliability	Male	93	4.6409	0.650	0.517	3.3097	−1.180	0.235
	Female	85	4.5859			3.4729		
Responsiveness	Male	93	4.5269	0.005	0.996	3.1747	−0.993	0.324
	Female	85	4.5265			3.3176		
Assurance	Male	93	4.6452	1.155	0.256	3.3898	−1.739	0.083
	Female	85	4.5647			3.6353		
Empathy	Male	93	4.3978	1.028	0.308	3.2043	−1.285	0.199
	Female	85	4.3106			3.3741		
Tangibles	Male	93	4.3629	−0.735	0.465	3.5672	−1.126	0.256
	Female	85	4.4235			3.7206		
Compliance	Male	93	4.6959	1.641	0.106	2.7020	−0.205	0.838
	Female	85	4.5664			2.7445		

Table IV.
Independent samples *t*-test based on gender

| Variables | Nationality | n | Mean | Expectation | | Perception | | |
				t-value	Significance	Mean	t-value	Significance
Reliability	Malaysian	111	4.6360	0.792	0.472	3.5261	2.601	0.013*
	International	64	4.5656			3.1531		
Responsiveness	Malaysian	111	4.5428	0.457	0.658	3.4279	3.356	0.001**
	International	64	4.5000			2.9336		
Assurance	Malaysian	111	4.6284	0.956	0.348	3.6959	3.464	0.001**
	International	64	4.5586			3.1914		
Empathy	Malaysian	111	4.3640	0.193	0.844	3.4468	2.914	0.005**
	International	64	4.3469			3.0500		
Tangibles	Malaysian	111	4.4437	2.046	0.047*	3.8131	3.431	0.001**
	International	64	4.2695			3.3359		
Compliance	Malaysian	111	4.7220	2.641	0.016*	2.8404	1.208	0.214
	International	64	4.5112			2.5804		

Table V.
Independent samples
t-test based on
nationality

Notes: *Variable is significant at the 0.05 level; **variable is significant at the 0.01 level (2-tailed)

| Variables | Age | Mean | Expectation | | Mean | Perception | |
			F-value	Significance		F-value	Significance
Reliability	Below 30 and 30 years	4.5630	0.801	0.495	3.4389	1.020	0.385
	31-40 years	4.6893			3.2393		
	41-50 years	4.7500			3.6000		
	51 years and above	4.6571			3.7143		
Responsiveness	Below 30 and 30 years	4.6145	0.260	0.854	3.2407	1.270	0.286
	31-40 years	4.5000			3.1518		
	41-50 years	4.5848			3.5938		
	51 years and above	4.5000			3.7857		
Assurance	Below 30 and 30 years	4.5000	0.660	0.578	3.5370	865	0.460
	31-40 years	4.5265			3.3973		
	41-50 years	4.5787			3.6250		
	51 years and above	4.6250			3.9643		
Empathy	Below 30 and 30 years	4.7813	2.902	0.036*	3.3241	0.547	0.651
	31-40 years	4.7143			3.1964		
	41-50 years	4.6075			3.5750		
	51 years and above	4.3019			3.2286		
Tangibles	Below 30 and 30 years	4.4964	0.417	0.741	3.5810	0.976	0.405
	31-40 years	4.4500			3.7098		
	41-50 years	3.9429			3.6250		
	51 years and above	4.3553			4.1429		
Compliance	Below 30 and 30 years	4.3588	1.530	0.208	3.6453	2.231	0.086
	31-40 years	4.4598			2.5820		
	41-50 years	4.3750			2.9209		
	51 years and above	4.3929			2.5714		

Table VI.
One-way ANOVA
tests on expectations
and perceptions of
Islamic banking
service quality based
on age groups

Note: *Variable is significant at the 0.05 level (2-tailed)

Variables	Educational level	Mean	Expectation F-value	Significance	Mean	Perception F-value	Significance
Reliability	SPM	4.6667	0.670	0.674	3.5667	0.755	0.606
	STPM	4.7667			3.2667		
	Diploma	4.5750			3.3000		
	Degree	4.5250			3.5444		
	Master's	4.6588			3.2912		
	PhD	4.7333			3.1778		
	Others	5.0000			4.0000		
Responsiveness	SPM	4.6250	0.286	0.943	3.5417	0.719	0.635
	STPM	4.5417			3.1250		
	Diploma	4.4688			3.3750		
	Degree	4.4653			3.3715		
	Master's	4.5882			3.1360		
	PhD	4.5278			3.0417		
	Others	4.5000			4.0000		
Assurance	SPM	4.6667	0.364	0.901	3.7500	0.581	0.745
	STPM	4.7917			3.6667		
	Diploma	4.5313			3.7813		
	Degree	4.5764			3.5972		
	Master's	4.6397			3.3897		
	PhD	4.5556			3.3750		
	Others	4.7500			4.0000		
Empathy	SPM	4.6075	1.728	0.117	2.9333	1.491	0.184
	STPM	4.3333			3.5000		
	Diploma	4.3667			3.4750		
	Degree	4.6250			3.4361		
	Master's	4.2222			3.2088		
	PhD	4.4529			3.0889		
	Others	4.4444			1.6000		
Tangibles	SPM	3.6000	0.997	0.429	4.1667	0.883	0.509
	STPM	4.7500			3.8333		
	Diploma	4.3750			3.4688		
	Degree	4.6250			3.7361		
	Master's	4.3160			3.5699		
	PhD	4.4301			3.3889		
	Others	4.3333			4.0000		
Compliance	SPM	4.5000	0.130	0.992	2.4286	0.623	0.711
	STPM	4.5952			2.6905		
	Diploma	4.5476			2.3393		
	Degree	4.7679			2.7579		
	Master's	4.6250			2.7710		
	PhD	4.6471			2.9206		
	Others	4.6190			0.5714		

Table VII.
One-way ANOVA tests on expectations and perceptions of Islamic banking service quality based on educational background

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Variables	Occupation	Expectation Mean	F-value	Significance	Perception Mean	F-value	Significance
Reliability	Business	4.6364	0.921	0.469	3.6000	1.265	0.282
	Professional	5.0000			3.6400		
	Lecturer	4.6667			3.5200		
	Student	4.5495			3.3087		
	Government employee	4.7500			4.0500		
	Others	4.4571			3.5714		
Responsiveness	Business	4.4091	0.495	0.779	3.4773	1.981	0.084
	Professional	4.8500			3.9500		
	Lecturer	4.5583			3.5417		
	Student	4.5049			3.1408		
	Government employee	4.5938			3.6563		
	Others	4.3929			3.6786		
Assurance	Business	4.6818	0.787	0.561	3.5682	0.730	0.602
	Professional	4.9000			3.9500		
	Lecturer	4.6333			3.7250		
	Student	4.5680			3.4442		
	Government employee	4.6563			3.5625		
	Others	4.4286			3.8214		
Empathy	Business	4.3455	1.109	0.358	3.6545	0.998	0.421
	Professional	4.6400			3.5600		
	Lecturer	4.3933			3.4800		
	Student	4.3398			3.2350		
	Government employee	4.2250			3.0000		
	Others	3.9429			3.4286		
Tangibles	Business	4.3636	0.668	0.649	3.3636	1.204	0.310
	Professional	4.6500			3.9500		
	Lecturer	4.2750			3.9250		
	Student	4.3471			3.5801		
	Government employee	4.5313			3.9063		
	Others	4.2143			3.9286		
Compliance	Business	4.9610	1.901	0.097	3.4545	1.452	0.209
	Professional	4.9143			3.9143		
	Lecturer	4.7143			2.6095		
	Student	4.5451			2.7226		
	Government employee	4.6786			3.0000		
	Others	4.4694			3.0204		

Table VIII.
One-way ANOVA tests on expectations and perceptions of Islamic banking service quality based on occupation

Islamic banking service quality, namely, tangible and Islamic *Shari'ah* compliance. The independent samples *t*-test results indicated that Malaysian customers have more expectations on tangibles (μ = 4.4437) and Islamic *Shari'ah* compliance (μ = 4.7220) compared to international customers. Similarly, both Malaysian and international respondents have significant differences on service quality perceptions of Islamic banks in Malaysia. The results indicate that Malaysian customers have better perceptions on Islamic banking service quality in terms of reliability (μ = 3.5261), responsiveness (μ = 3.4279), assurance (μ = 3.6959), empathy (μ = 3.4468) and tangibles (μ = 3.8131) compared to international customers. However, both Malaysian and international

customers do not have significantly different perceptions on Islamic *Shari'ah* compliance of Islamic banking services in Malaysia (Table V).

ANOVA tests on age, education and occupation
According to Hair *et al.* (2010), ANOVA is a statistical technique for testing the hypothesis that there is no significant difference between two or more population means. In this study, the researchers used one-way ANOVA test to investigate the significant differences on three different groups, namely, age, education and occupation. These three different groups were tested with the foregoing six dimensions of Islamic banking service quality (Tables VI-VIII). From the test results, it was observed that there are significant differences among the age groups of the respondents on expectation of empathy ($p = 0.036$). The results also indicated that those respondents aged 30 and below have higher expectations on empathy ($\mu = 4.7813$) compared to other age groups (Table VI). However, Tables VII and VIII illustrate that there is no significant differences between customer expectations and perceptions of Islamic banking service quality based on educational background and occupation.

Conclusions
In conclusion, knowing how customers perceive the service quality and being able to measure their level of satisfaction can benefit industry professionals. The measurement of service quality can provide specific data that can be used in quality management, thereby enabling service organisations to monitor and maintain service quality. Assessing service quality and better understanding how various dimensions and items affect overall service quality would enable organisations to efficiently design service delivery processes. By identifying strengths and weaknesses pertaining to the dimensions of service quality, organisations can better allocate resources to provide better services and ultimately enhance the service quality of an organisation.

The findings of this research show that consumers expected more than what they perceived from Islamic banking services in Malaysia. A similar study conducted by Banerjee and Sah (2012) on customer perception and expectation of public and private banks in India observed that customer perceptions were less than expectations due to the failure of providing prompt service, employees were too busy to respond to their customers, a general unwillingness to help customers and poor communication with customers while services are being delivered. To reduce these gaps, the authors suggested that banks should focus more on customer perceptions, especially about the safety of transactions, employee behaviour, employee courtesy and employee ability to answer the customers' questions. Hoffman and Bateson (2001) recommended that employees should always be prepared and willing to help their customers and stay polite in all their service deliveries to meet customer expectations. The banking organisation should design service standards that promote reliability to customers and consistency in service delivery and not promise more than what they are able to deliver (Phiri and Mcwabe, 2013). Moreover, banking organisations need to have well-planned strategies to strengthen the dimensions of service quality to increase customer perceptions (Akhtar and Zaheer, 2014).

According to Abedniya and Zaeim (2011), banking organisations could meet their customers' expectations by improving all service quality factors/dimensions that

are related to the success of the organisation. Our findings indicate that Malaysian Islamic banks must strive hard towards improving all the dimensions and items of service quality to foster higher perceived service quality and customer satisfaction. The management teams in Islamic banks are expected to take the findings of this research for future redesign of bank services, which may help them to fulfil their vision to have the best Islamic banks. The findings of the research may also be useful to Islamic banks operating in other countries in regards to efficient and effective operations.

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