

# The Effect of Wadiah Product Quality Attributes on Customer Satisfaction: The Case of Jaiz Bank Nigeria Plc

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## ABSTRACT

Islamic banks offer services based on the dictates of Shari'ah law, which advocates for the system of banking void of oppression of any of the contracting parties through the abolition of interest (*Ribaa*). This study aims at investigating the level of customer satisfaction on one of the Islamic bank products (Wadi'ah) and to examine the relationship between the product's characteristics and customer satisfaction. The study adopted the Kano theory of customer satisfaction using four characteristics of the products (perceived quality, Cost, Convenience and Compliance). The quantitative technique of data collection was adopted using a questionnaire to gather information from the customers of the Islamic bank, and Partial Least Square (PLS-SEM) was used in the data analysis. The results show that the satisfaction level of perceived quality of Wadi'ah product was found to be moderate, and the cost of maintaining Wadiah account has its satisfaction level as high, the result also show that customers were satisfied in using the Wadi'ah product with convenience, and in the case of compliance, the customers were satisfied that the activities in Wadiah were in line with the principles of Shari'ah.

**Keywords:** Islamic bank, products, satisfaction, perceived quality, cost, compliance

## INTRODUCTION

The banking establishment is an organizational set up that provides financial services to the general public, and it is considered one of the essential institutions in the economic structure of any given country (Kidwell *et al.*, 2016). The primary services offered by banks include all forms of financial transactions and safeguarding other valuables for customers (Iqbal & Molyneux, 2016). There are mainly three types of banks which are; The Central banks, the Investment banks, and the retail banks. While the central banks oversee and regulate the activities of the retail banks, Investment banks deal with international and multi-national organizations. The retail

or commercial banks conduct their operations directly to individuals and corporate institutions, and it is classified into two categories; conventional and Islamic banks. Both of them serve almost the same purposes except that Islamic bank operates principally on sharing of profit and loss and also prohibits interest charges (*riba*) in all its activities. Among the standard products dealt within the Islamic banks are Profit and loss sharing (*Mudarabah*), safekeeping (*Wadiah*), a joint venture (*Musharakah*), cost plus (*Murabahah*) and leasing (*Ijarah*) (Al-Deehani *et al.*, 2015).

The banking system that is currently operating in Nigeria is the conventional one which is an interest-based banking system

where the whole credit structure is built upon the institution of interest under which the borrower is obligated to pay a prearranged rate of interest on the amount borrowed irrespective of the profit or loss incurred. The existing relationship between the bank and its client under this system is that of a creditor and debtor which led to so many economic and societal ills among other things (Bello, 2014).

On the other hand, an Islamic bank is defined as the banking system that is consistent with Islamic principles and guided by Islamic economics. Islamic banking is also defined as an interest-free form of banking that conducts banking businesses, participates in exchange, investment and commercial activities as well as providing products and services under the doctrines and rules of Islamic jurisprudence (Seyed-Javadin *et al.*, 2014).

Non-interest banking originated from both Christian and Islamic scriptures, as stated in the Holy Quran (2:275), as well as the Bible in Leviticus (25:36-37), Deuteronomy (23:19) and Ezekiel (8:33): “You shall not lead upon using to your brothers usury of money, usury of victuals, and usury of anything lends upon another (Khan, 2010). Islamic banking is not a new system of banking, it has been in existence for more than four decades, and it operates in some countries such as Pakistan, Egypt, Britain, and the United States of America (Cihak, 2010). It was first introduced in 1975 in Egypt, and from then it expands to all angles of the globe. Islamic banking is a vital part of Islamic financial system on a global scale; it has experienced a speedy advancement from the period of inception to be a vibrant and competitive practice of financial intermediation within the overall international banking structure (Duran & Garcia-Lopez 2012). From the history of initial market system and early method of mercantilism which is called Islamic capitalism that existed between 8<sup>th</sup> and 12<sup>th</sup> centuries, it had applied some economic theories and techniques in early Islamic banking which comprise the partnership

(mufawada), bill of exchange, forms of capital (al-mal), and Limited partnership (Mudarabah) *etc.* (Donner, 2014).

According to Zeitun (2012), the evidence for the sustainability of Islamic banking can be seen in the fact that many conventional and some major multinational banks such as Citibank, HSBC, and Standard and Chartered banks have commenced practising Islamic banking system through the opening of Islamic banking windows. This is as a result of the prosperous operation of Islamic banking institutions and the experience in some countries like Iran, Malaysia, and Bahrain which adequately show that Islamic banks offer a substitute system of banking. Research also indicates that Islamic banking achieved a vivid progression, escalating to about 435 institutions operating in 75 countries across the globe, which involves the major financial centres such as New York, London and so on (Oseni & Ahmad, 2016). Additionally, in African continent like the Gambia, Ethiopia and Senegal are already having operational guidelines governing Islamic bank, while some others are at various phases of shaping and implementing their regulatory policies (Triki *et al.*, 2017).

## LITERATURE REVIEW

### Islamic banking

According to Ahmad *et al.* (2010), a bank is a financial institution which deals with deposits and advance and other associated services. It receives money from savers in the form of deposits and lends it out to those who need it. Banking is an evolutionary concept where it is continuous and diversification as regards the functions, services, and activities of the bank, Moak (2017). However, there are various kinds of banks which include commercial banks among many such as merchant banks, development banks, mortgage banks and agriculture banks. The structure of financial intermediation globally witnesses a radical shift over the last few decades. The monopoly status enjoyed by the

conventional system of banking and finance changed with the emergence of Islamic banking system, which is based on the principles of the Shariah, *i.e.*, Islamic law PY Lai & Samers (2017). The Islamic structure proved to be capable of inspiring real growth, non-inflationary growth by way of forging cooperation in risk-taking and profit and loss sharing. Islamic bank is capable of attracting a large pool of investors and entrepreneurs, especially in the informal sector which has been alienated by the conventional banking system.

Despite this sterling features, wide benefaction and tremendous success recorded by the Islamic banking and finance globally, the adoption of the Islamic banking system by the apex financial institution (The Central Bank of Nigeria (CBN)), as an alternative system of financial intermediation was greeted with steep resistance in certain quarters of the country. Assuaging the fears expressed, the CBN stressed that the attempt is part of its response to global trends and a measure to take advantage of huge financial resources, exchanging hands globally. According to Sanusi (2011), commercial bank, therefore, is the financial intermediary which collects credit from lenders in the form of deposit and lends in the form of a loan. This type of bank holds the deposit for individuals and business in the way of checking and savings account and certificates of deposit of varying maturities while a commercial bank issues loans in the arrangement of individual and corporate loans as well as mortgages.

### **The concept of Islamic banking**

According to Kettell (2010), Islamic banking refers to as Shariah-compliant banking that provides and uses financial products and services that obey the Islamic religious practices and laws. The doctrines which have to emphasize moral and ethical values in all dealings have wide universal appeal. Shariah outlaws the giving or receiving interest charges (Riba) for the loaning and acceptance of money, as well as engaging in trading activities that provide goods and services considered contrary to

its principles. Islamic banking refers to a technique of banking that is founded on Islamic law (Shariah), which prohibits 'interest-based banking' and permits only 'profit sharing banking' (Aldoseri & Worthington2016). The root of the concept is stated in the Holy Qur'an where it says; "Allah has allowed only legitimate trade and prohibited interest," (Qur'an 2 v 275). It is against this interest, as interest is believed to lead to the exploitation and unproductive income. Islamic and conventional banking serve the same purpose except that it operates by the rules of Shariah, known as Fiqh al-Muamalat (Islamic rules on transactions).

So today, by Islamic banking, one does not mean a mere lending institution extending interest-free loans, but a package of Shariah-compliant (strict adherence to Islamic economic norms) financial services like Islamic mutual funds, Islamic bonds (Sukuk), Islamic insurance (Takaful), Islamic credit cards and other technology-driven services like Automated Teller Machines (ATMs) and online banking, all of which have a tremendous market in the world. Ahmed (2009) describes Islamic banking as "a form of banking which conducts banking operation, involves in exchange, investment and commercial activities as well as providing financial products and services by the principles and rules of Islamic jurisprudence." The basic element of trust and financial partnering are the things that account for the uniqueness of non-interest banking. According to CBN (2011, p1) Islamic bank is "a bank or other financial institution (OFI) under the Central Bank of Nigeria (CBN) which executes banking business, engages in trading investment and commercial undertakings as well as provision of financial products and services in accordance with the ideologies and rules of Islamic commercial jurisprudence".

Abdullahi Sa'id, the General Manager of Ja'iz International Bank Plc. (Nigeria), outlined the modus operandi of the bank. He pointed out that "some tenets

of the Islamic injunctions as it concerns the operation of the Islamic banking system included; interest prohibition, granting of loans to run hotel businesses, prostitution, Gambling, running piggery among others” (Unegbu & Unuoha 2013). Islamic banking, otherwise known as participant banking is a banking activity that is based on the principles of Shariah law and a derivative of Islamic economics. It is to be acknowledged that Shariah prohibits the fixed or floating payment or acceptance of specific interest or fees that in Christian principles are referred to as usury and Riba (surplus value) in Islam for loans contracted. Any act differing from this principle in Islam is regarded as sinful or Haram.

The concept of Islamic capitalism was developed between eighth and twelfth centuries according to Alao & Alao (2012), and it was based on the then widely circulated currency, the gold dinar that tied together regions that were previously economically independent. The Islamic banking has recorded success beyond Arab nations as there are five wholly Islamic banks in London. While Eze and Chiejina (2011) reported that more than 250 Islamic banks (90 institutions of them are in the middle-east) are operating from China to the United States of America, through their Islamic branches in U.K, Germany, Switzerland, and Luxembourg. According to the conventional estimates of the Islamic banks in 2008, Islamic banks’ financial assets globally exceeded \$500 billion. The Islamic Bank of Britain for over four years has attracted over 40,000 customers while HSBC Amanah, Askari, *et al.*, (2011), a section of HSBC of London has been operating Islamic finance system for over a decade, and it was concentrating majorly on business finance and institutional users. De Beaufort (2011), notes that in contrast to conventional banks, no Islamic bank failed and needed government recapitalization as the process of government bailout at the end turned out to be a burden on already overburdened taxpayers.

### **Products of Islamic banking**

Amongst the typical Islamic products offered by Islamic banking are; gainsharing (Mudarabah): Islamic banks deal in savings and time deposits in the form of investment accounts under the system of Mudarabah, the investors in such accounts share profits and losses of the institutions under an agreed-upon formula (Siddique, 2008). The depositors’ in Mudarabah accounts are the suppliers of capital ‘Rabb al-mal’ who entrust their funds to the bank, ‘mudarib,’ in the tradition of western style investment banking, subject to the dealings with only non-interest bearing instruments. The mudarib, acting as a money manager or agent, invests the money and then distributes the profits and losses by the agreed-upon contract.

The following are the main products of the Islamic bank;

**(a) Mudarabah (finance by way of trust);** Mudarabah is a method of partnership in which one partner (*rabb-al-mal*) finances the project, while the other party (*mudarib*) manages it. This method of financing does not require that a company be created; the financial institution supplies the capital, and the customer takes the responsibility for the running of the project. Profits from the investment are distributed according to a fixed, predetermined ratio. The *rabb-al-mal* has possession of the assets, but the *mudarib* has the option to buy out the *rabb-al-mal*’s investment. Mudarabah may be concluded between an Islamic bank, as a financier, on behalf of itself or on behalf of its savers as a trustee of their funds, and its business-owner clients. In the latter case, the institution acts as a *mudarib* for a fee. The bank also acts as a ‘*mudarib*’ in relation to its depositors, as it invests the deposits in various schemes.

**(b) Joint-venture (musharakah):** The third instrument used by Islamic banks is *musharakah*, which is a form of equity financing through Joint Ventures. Unlike the case of Mudarabah, here the bank not only participates in the supply of capital to the venture but also in its management (Malik & Khaki, 2015). Thus, the Islamic banking



institutions assume the role of an entrepreneur as well as that of the financier.

**(c) Cost plus (Murabahah):** The fourth instrument, Murabahah (or more specifically, *bai-mu'jal Murabahah*- cost-plus financing), used by the Islamic banks consists of transactions where the institution buy a product (e.g., car or a machinery) on a client's behalf and then resells this with a markup to a client, the borrower, Ahmed, (2011). Thus, a vehicle selling at a price of \$20,000 may be bought by the Islamic banking institutions and resale to a client at \$25,000 to be paid back in monthly (or in a whole at the end of the loan term) over a period of 2 years. Instead of interest in a conventional loan, the bank makes a profit with the difference of the purchase value.

**(d) Leasing (Ijarah):** The fifth instrument used by Islamic banks is Ijarah or leasing. Two types of leases are used, in one, the lessee pays the less or instalment payments that go towards the ultimate purchase of the equipment by the lessee. This type of lease/purchase agreement is known *Ijarah-wa-iktina*. The second type of lease maintains the ownership of the less or as per the lease contract.

**(e) Safe Keeping (Wadi'ah):** In Wadi'ah arrangement, a customer deposits cash or other assets in a bank for safekeeping, which guarantees its safety. Bank may charge a fee for keeping the money or the item, and the customer is free to take his money or item at his wish.

#### **Differences between Islamic and Conventional banks**

Islamic Financial Institutions (IFIs) work in a similar society where conventional banks do and execute all anticipated functions of a financial institution. IFIs help the business world by providing all the services required to run the economy efficiently, notwithstanding, the rationality and operations are distinctive, Ullah *et al.*, (2014). In this area, it will dichotomize the activities and products of IFIs in comparison with traditional conventional banks. Any money related framework is required to help with running

the economy by giving the accompanying services assembled under two headings. Below are some of the areas of differences between the operations of Islamic and conventional banks;

#### **Deposits**

Deposits are gathered from savers under both sorts of establishments for reward regardless of the bank being conventional or Islamic. The distinction lies in the ascension of compensation. Under the conventional method, the reward is settled and foreordained while under Islamic deposits are acknowledged through Musharakah and Mudarabah where the reward is variable.

According to Beck *et al.*, (2013). Profit in the conventional system is determined by the length of time of the deposit, that is; the longer the time taken, the higher rewards and vice-versa. Same is the practice in Islamic banking to share the benefit with contributors. Higher weight revenue sharing is appointed to long-term deposits being accessible to the bank for putting resources into longer-term ventures yielding unrivalled returns and lower weight for short-term deposits which cannot be invested into long-term ventures. The main distinction in the traditional and Islamic system is found in sharing of risk and reward. In a conventional system, total risk is conceived by the bank, and total reward belongs to it after servicing the depositors at a settled rate, while under Islamic system, risk and reward both are shared with depositors, Bock, (2010).

The reward for investors is connected with results of investments made by IFIs. Under Islamic banking system, just those IFIs will have the capacity to gather deposits which can set up trust in the eyes of the masses thus prompting ideal execution by money-related industry.

#### **Financing and Investments**

The second stage in funds assembly process is an intensification of credit facility to business and industry for return. Both sorts of institutions (Islamic and Conventional) are giving financing to

profitable channels to compensate (Ainley et al., 2013). The distinction lies in financing agreements.

Conventional banks offer credit for a settled reward while IFIs cannot do that since they cannot charge interest. IFIs can charge a profit on investments but not interest on loans. In conventional banking, three categories of loans are issued to customers including short-term loans, overdrafts, and long-term loans. Islamic banks cannot issue credits except interest-free (Qard e Hassan) for any prerequisite nevertheless they can work together by giving the obliged advantage for the customer as well as taking part in the result of the basic venture.

#### **Short term loans**

Even though *Murabahah* is being utilized by IFIs effectively and has prevailed with regards to a meeting short to medium term prerequisites of firms by a successful substitution of conventional loans yet certain distinctions exist in both sorts of financing (Kumati, 2008). First is one cannot get money under *Murabahah*. The second asset is obtained by IFI at first then exchanged to client subsequently IFI take part in the risk. Third refinancing facility is not accessible under *Murabahah*. Fourth if there should be an occurrence of default cost of the product cannot be improved however penalty might be forced if stipulated in the original contract of *Murabahah* however same cannot be incorporated into the income of IFI. Fifth only those assets can be provided by IFIs under *Murabahah* whose general as well as expected utilize is not against the injunction of Shari'ah (e.g., the supply of a machine to produce alcohol).

#### **Medium to long-term loans**

Medium to long-term loans is accommodated for purchase or building of fixed assets by firms to grow or supplant the current resources. Under Islamic financial system, the necessity of firms and people are satisfied through *Murabahah*, *Bai Mu'ajjal*, and *Istisnaa* (Iqbal & Mirakhor, 2011). Another alternative for long-term

financing is profit and loss sharing under *Musharakah* and *Mudarabah*. In spite of the fact that financing under *Murabahah*, *Bai Mu'ajjal*, and *Istisnaa* is especially looking like typical mortgages with the main distinction of the arrangement of asset and not money to the customer, however, contrasts exist in the agreements which adjust the way of risks and returns. Financing under *Musharakah* and *Mudarabah* is challenging for IFIs and firms also. Under Shari'a-based financing plans, firms need to demonstrate the suitability/benefit of the venture/business as per the general inclination of IFIs to get the fund because the risk of losing the amount is included.

#### **Leasing**

Leasing is a moderately recent wellspring of financing whereby usufruct of an asset is exchanged to the resident for agreed amounts of rentals. Under leasing, possession might be exchanged. The Same facility is given by IFIs under the arrangement of *Ijarah*. Under *Ijarah* asset is given to the client to use without exchange of possession for a particular timeframe in return for concurred rentals. Ownership of asset can be exchanged to the client through agreement at the end of the lease term (Alrashidi, 2013). All proprietorship risks are conceived by IFIs amid *Ijarah* contract. Certain distinctions exist in the exchange under both systems. In the first place is, rental under *Ijarah* are not due until the asset is conveyed to the tenant for use. The second extra lease cannot be requested if there should arise an occurrence of default except a penalty (if stipulated in the original contract of the lease) which is not the income of IFI. Third, amid a time of major repair lease can't be requested by IFI. Fourth if the asset is lost or damaged, IFI cannot claim further instalments consequently all risks of possession are conceived by IFI.

#### **Islamic banking in Nigeria**

Islamic Banking history in Nigeria is only of recent past. At independence of Nigeria in 1960, Muslim Bank West Africa Limited was operating in Lagos. The bank

was closed in 1962 after closure order of the then Minister of Finance. Two provisional licenses were granted in 1992, but neither of the licensee banks lasted long. Habib Bank was granted a license to operate Islamic Banking window in 1996, but due to poor information and absence of a framework for non-interest banking, it could not register significant success.

In 2009, several non-interest banking products were launched. Zamfara State Government planned to establish an Islamic Bank as part of its policy of application of full-fledged Islamic Law. It, however, dropped the idea before it was implemented and supported by a private player Jaiz International Bank to successfully pool resources. Muslims in Nigeria have been yearning for its establishment to enable them to transact banking business by the injunctions of their religion. The initial move was to secure the country's membership of the Islamic Development Bank (IDB) based in Jeddah, Saudi Arabia. That took quite some time as Nigeria formerly joined the membership of IDB in 2005. Other efforts towards having an Islamic banking and financial system in Nigeria included the convening of an International Conference on Islamic Economics organized by the Usman Danfodio University, Sokoto in 1985. The conference was part of the efforts aimed at sensitizing the public on the concepts of Islamic economics.

Central Bank of Nigeria, in January 2009, approved the Apex Bank (CBN) to join the International Financial Services Board (IFSB) as a full member. The IFSB is an international standard-setting organization for the Islamic financial services industry. The CBN, in August 2010, released the new banking model, which included non-interest banks among the specialized banks and will operate either at National or Regional level with capital requirements of N10 billion and N6 billion respectively. In response to the positive step taken by the CBN, the Nigeria Deposit Insurance Corporation (NDIC), September

2010, released its exposure draft on Non-Interest Deposit Insurance Scheme for stakeholders' comment. Another effort manifested when Banks and Other Financial Institutions (BOFI) Act No. 25 was enacted. Section 61 of BOFI Act recognized the establishment of profit and loss sharing bank in the country, which basically is the Islamic form of banking.

### **Customer satisfaction**

The satisfaction of customers has been an essential part of every organization as a result of an increase in the competition, and it is considered a crucial element of determining the competitiveness of banks (Karim & Chowdhury, 2014).

Satisfaction is a post-purchase evaluative judgment associated with a specific purchase decision (Oliver, 2014). The favourite way for the survival of any organization depends on how it handles its customers, hence constant evaluation of the level of the satisfaction of customers in a methodical manner is needed (Lee & Chin, 2017, Bouranta *et al.*, 2017).

Ahmad *et al.*, (2010) and Ahmad & Safwan, (2011) reported that female customers perform lesser banking transactions due to lower income and other social barriers. It is found that gender role is affected by specific cultural, social and religious factors. Male members do the majority of the financial deals and banking services in the Muslims countries (Iheduru, 2004, De Vita *et al.*, 2014). The main precept for successful competition in the market is customer satisfaction because it is the essential requirement for retaining customers to make profits. Customer satisfaction is vital in realizing business lucrativeness, a higher share of the market and more earnings from investments (Ben Selma Mokni & Rachdi, 2014).

Customer satisfaction seems as the cumulative result of customers' internal feelings about their experiences related to products/services. It is suggested that organization especially banks should concentrate on customer satisfaction (Raza *et al.*, 2015). It could result in repeated

purchase behavior that is inevitable for long-term business success. An empirical result indicated a strong relationship between perceived service quality, customer satisfaction and other variables in Australia and Korean banks (Hussain *et al.*, 2015). Lin *et al.*, (2014), highlighted that satisfaction is measured by the difference between perceived performance and cognition like expectation and desires. According to (Kim *et al.*, 2015, and Gallarza *et al.*, 2017), customer satisfaction is a “multidimensional construct that requires multi-item scale for its measurement.” Researchers agreed with the multidimensional nature of customer satisfaction and measured it accordingly.

Greenland *et al.*, (2015) investigated the customer satisfaction in the banking sector in New Zealand. Findings showed that customer satisfaction is the most critical factor that influences customer decisions. Customers' age groups and educational level also contributed to their decision whether to stay with a current bank or not. Evident from a survey of 230 retail-banking customers that responsiveness and reliability showed the enormous impact on customer satisfaction in the United States (Coetzee *et al.*, 2013). A study found that satisfaction is essential for retention of retail banking customers in United Arab Emirate (UAE) (Moensard *et al.*, 2016).

Similarly, a various pattern of customer satisfaction and behavioural outcomes is observed among male and female bank customers (Yavas *et al.*, 2014). In another study, findings showed that there is the difference in choice factors by male and female bank customers in the selection of their respective bank (Souiden & Rani, 2015). (Ahmad *et al.*, 2010) stated that service quality significantly influences the customer satisfaction in case of Islamic and conventional banking while the degree of the effect is more significant in Islamic Banks as compared to Conventional Banks.

### Theoretical framework

This study employed the use of Noriaki Kano's model of customer

satisfaction to investigate the level of customer satisfaction on the Islamic banking product characteristics. Kano's model has been tested and verified by different studies as a tool for determining satisfaction in an organisation (Saeidipour *et al.*, 2012; Alroaia & Ardekani, 2012; Rahaghi *et al.*, 2011).

In a model of customer satisfaction developed in the 1980s, Kano associated product attributes into three categories: (a) thresholds (expected attributes), (b) performance (more is better), and (c) excitement unknown needs are satisfied; (Chen, Chang, & Huang, 2009). Product attributes are differentiated by functional and dysfunctional conditions (Dellaert & Haubl, 2012).

When expectations are met, various levels of satisfaction are achieved. The customer satisfaction theory pertains to this study as it addresses the shift in satisfaction and other different attributes. The Kano (1984), model of satisfaction is depicted below;

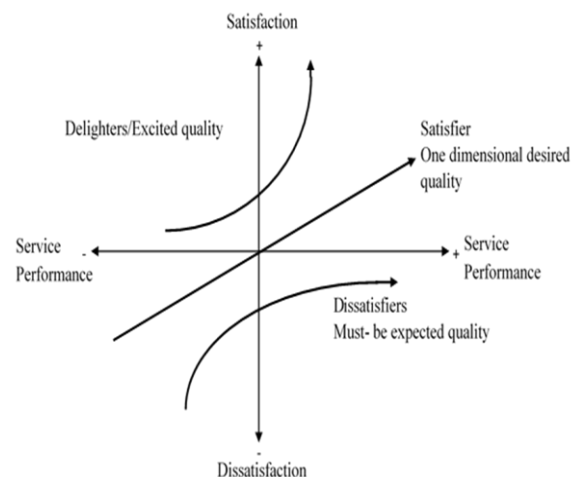


Figure 2.1: Kano model of customer satisfaction

As shown by figure 2.1, the Kano (1984) customer satisfaction model was built on the assumptions that satisfaction is derivable on two aspects (The positive (+) and the Negative (-)). While the positive aspect brought about satisfaction, the Negative causes Dissatisfaction; from the two sides of the positive aspect of satisfaction, Delighters/Excited quality and



Satisfiers which is a one-dimensional desired quality are found. According to (Gupta & Srivastava, 2012) Delighters/Exciters are those quality consumers did not know they wanted it, but they like it, which shows that the availability of those quality as expected by the consumers would shoot their level of satisfaction up, while the lower aspect of the model shows the Dissatisfiers as the performance of services or quality of goods which are regarded to as “Dissatisfiers, Must-be, expected quality” which means their absence as expected by the consumers brought about decrease in the level of satisfaction. Customer satisfaction theory aligns the impact of diverse psychological factors on customer satisfaction. The variables in the study included customer satisfaction, cost, convenience, compliance and perceived quality. The purpose is to determine whether any of these factors affect customer satisfaction. The results of the study will offer insight into various products and services that can improve customer satisfaction in the banking industry.

According to Rust and Huang (2012), stronger customer satisfaction leads to loyalty, customer preservation, and improved financial performance. These elements are impacted by the psychological factors consisting within satisfaction that involve (a) cognitive (thinking/evaluation), (b) affective (emotion/feeling), and (c) behavioural (Nazari *et al.*, 2012). Expectations are tied to customer satisfaction; beliefs about a product or service produce specific outcomes based on previous experiences (Nazari *et al.*, 2012). Measurements of customer satisfaction can be obtained through a survey instrument indicating various levels of importance, the overall effect, fulfilment of expectations, and expected value from use (Nazari *et al.*, 2012). Customers associate the factor of trust with product quality, honesty, dependability, and a company's reputation (Gudlaugsson & Eysteinnsson, 2012). Shamma and Hassan (2009) agreed that a corporation's reputation is based on social

interactions that affected stakeholder's opinions. Social acceptance adheres to social norms and expectations while reputations emphasize quality (Bicchieri & Xiao, 2009; Kim & Benbasat, 2009). Elements taken into consideration of customer satisfaction to satisfy customers include perceived quality, perceived value, and image (Hamidizadeh *et al.*, 2011). Understanding and offering what the customer wants assists in creating and developing customer satisfaction (Ravichandran *et al.*, 2010).

#### **Proposed constructs:**

As identified in the conceptual framework, the customer satisfaction model proposed in this thesis is developed through the review of the literature, incorporating elements that have not been presented in a single model. That is to say; this thesis provides insights into an effective customer satisfaction survey by suggesting factors that are influencing the satisfaction of customers. This is in addition to the purpose of investigating the specific relationships between the constructs, including the product features (perceived quality, cost, convenience, and compliance) and customer satisfaction. In this study, these constructs will be examined in the Jaiz bank Nigeria plc as the only full-fledged Islamic bank in Nigeria.

**Perceived quality** is hereby defined as “the evaluation that a consumer makes about the excellence or superiority of a product” (Zeithaml, 1988, p. 3). Therefore, it represents those characteristics of the product that fulfil the customer's requirements and that best satisfy their desires. Logically, this perception of the quality of a product/service should positively affect the customer's level of satisfaction, given that the greater the reward received, the better a customer's overall evaluation should be about the purchase and consumption experience. Perceived quality is defined as the users' judgment about an entity's products/services containing overall excellence or superiority (Snoj *et al.*, 2004).

### Cost

The products attributes in Islamic banking services are important, Advancements in banking products and services are costly, and the costs are typically passed on to the customer. Positive and negative changes in the industry resulted in customers having to decide whether pricing is reasonable for what they receive. Pricing is considered in the study of factors contributing to customer satisfaction in banking. Therefore, offering high-quality services to satisfy customers' need, at a lower cost and fee, will be the potential competitive advantage of Islamic banking sustainability and growth in the future. The cost was once considered the major competitive priority and a key aspect of the future development of every organization (Burgess *et al.*, 1998).

### Convenience

Several authors have argued that convenience is an important component in the course of service delivery. Also, convenience has been identified by several studies as an important adopting factor in banking services.

Nevertheless, the ease of access to banking services is perceived as a measure of relative advantage (Ombati, 2010; Omar et al., 2011). According to Supinaha *et al.*, (2008), the provision of customer service delivery is an important criterion that attracts users in the delivery of banking services. Today, convenience is considered to be one of the influential factors of the customer service delivery of banks. Research has proven that, positive relationship between convenience and service delivery as a critical factor in the use of banking services (Tasnim *et al.*, 2013).

### Compliance

Compliance means the ability to conform to Islamic Law and operate under the principles of the banking system. The guidelines have been extensively studied by financial and economic scholars worldwide who have concluded that the common doctrines can be summarised as follows (Gait and Worthington, 2007):

- a) Prohibition of usury or excessive interest – riba;
- b) Full release of information on any contract or exchange with the elimination of all irrelevant information in the contract.
- c) Prohibition of financing and trading in socially irresponsible activities and merchandises considered as non-halal in Islam, such as betting and the production of alcohol for drinking.
- d) Business risk-sharing between the capital provider (financier) and capital user (Entrepreneur) in profits and losses; indirect link to a real economic transaction; and
- e) Prohibition of mistreatment of any party to the transaction and promotion of justice and fair trade.

### Conceptual framework

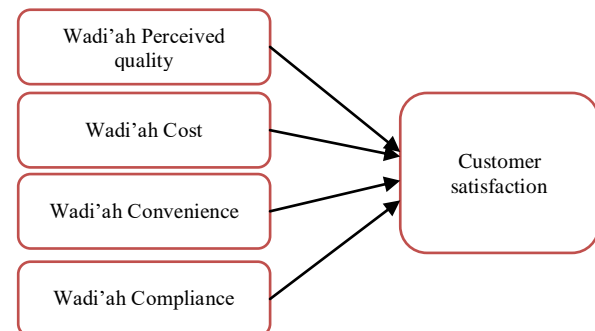


Figure 2.2 presents the conceptual framework of the study.

The above framework shows the relationship between the dependent variable (customer satisfaction), and the independent variables (Perceived quality, Cost, Convenience and Compliance) of the two products (Wadi'ah and Murabahah). And shows the hypotheses as;

- H1: Wadi'ah Perceived quality affects customer satisfaction  
H2: Wadi'ah t affects customer satisfaction  
H3: Wadi'ah Convenience affects customer satisfaction  
H4: Wadi'ah Compliance affects customer satisfaction

### METHODOLOGY

In this study, a quantitative method was employed for the collection and analysis of quantitative data that helped the researcher to identify emerging themes within the relationship between customer

satisfaction and Islamic baking products. The responses collected through the questionnaire were subjected to quantitative analysis using SPSS 23.0 software. This approach helped to bring coherence to the research while leading to an enriched understanding of perceptions and events.

### Research design

A research design is a procedural plan that is adopted by the researcher to answer questions validly, objectively, accurately and economically. According to Creswell (2009), research design is a plan that includes philosophical assumptions, strategies of inquiry and specific research methods. This plan is conceived with consideration of the research problems in the study, personal experience of the researcher and the audience for whom the research study will be written. It explains the what, where, when, how much, by what means concerning an inquiry or a research study. In fact, the research design is the conceptual structure within which research is conducted; it institutes the design for the collection, measurement, and analysis of data. As such the design includes an outline of what the researcher will do from writing the hypotheses and its operational implications for the final analysis of data (Kothari, 2004).

### Sample size

Sample size determination is the act of picking the number of observations or

replicates to include in a statistical sample. The sample size is an essential feature of any empirical study in which the aim is to create inferences about a population from a sample. According to Krejcie and Morgan (1970), the sample size adequate for 158,846 population is 384.

Sample size,

$$S = \frac{X^2NP(1-P)}{d^2(N-1)+X^2P(1-P)} \quad (1)$$

Where,

$S$  = Required sample size

$X^2$  = The table value of chi-square for 1 degree of freedom at the desired confidence level, given as  $(1.9 \times 1.9 = 3.8416)$

$N$  = Population size

$P$  = the population proportion (as 0.50 since this would provide the maximum sample size)

$d$  = the degree of accuracy expressed as a proportion (0.05).

Substituting from the formula, according to Krejcie and Morgan (1970), the sample size for this study is as follows;

$$S = \frac{3.841 \times (158,846 \times 0.50) \times (1 - 0.50)}{0.05^2 \times (158,846 - 1) + 3.841 \times (0.50) \times (1 - 0.50)} \quad (2)$$

$S = 383.7 \approx 384$  Respondents.

The table below presents the organization of the questionnaire;

Table Error! No text of specified style in document..1: Questionnaire structure

Sections	Sub-section
Section (a)	Demography
Section (b): <i>Wadi'ah</i>	Perceived quality, Cost, Convenience, and Compliance.
Section (d) Customer satisfaction	10 measurement items

**Data analysis and technique:** Practically, the data collected using the questionnaire were edited by a comprehensive check to make sure that the questions asked were clear for the respondents understanding. Also, after the process of editing data, the questionnaires will be coded for computer input. According to Sekaran (2016), data collected using questionnaires are considered as raw data, which have to be inserted into the computer using a software

called the Statistical Package for Social Science (SPSS), a software which is broadly used for the analysis of quantitative data to obtain the final results of the study. The statistical methods are used to analyze the data collected. The SPSS aims at transforming of the raw data into a form that will make them easy to understand and interpret. Accordingly, in this research, the questionnaire data were codified and entered into a spreadsheet in SPSS version

23.0, and the data analysis was done using Univariate descriptive analysis prior to the inferential analysis of PLS-SEM. Consequently, the coding process was in the form of Likert scale: Number '1' for strongly disagree, '2' for Disagree, '3' for Neutral, '4' for Agree, and '5' for Strongly Agree.

**Factor Analysis:** A Principal Component Analysis (PCA) was conducted on all the five (5) constructs that made up of 76 items with orthogonal rotation (varimax). The respective Kaiser-Meyer-Olkin (KMO) of the extracted five components with the

values of the acceptable limit of .5 which verified that the sample is adequate for the analysis (Field, 2012). The Bartlett's test of sphericity  $X^2$  were all less than 0.5 ( $p < .000$ ), indicating that correlations between items were sufficiently large for PCA. An initial analysis was run to obtain eigenvalues for each component in the data. Table 3.1 and Table 3.2 Shows the factor loadings after rotation (of the two products and their respective constructs). All items in each component load on one factor which indicates that these components represent the respective construct.

**Table 3.2: Factor Loadings of the Wadiah's constructs are presented below;**

Construct		Items	Factor Loadings	Total variance explained	KMO
Wadiah savings	Perceived quality	WPQ1	.717	37.52	.537
		WPQ2	.607		
		WPQ3	.584		
		WPQ4	.544		
		WPQ5	.616		
		WPQ6	.593		
	Cost	WCO1	.613	58.64	.597
		WCO2	.899		
		WCO3	.758		
	Convenience	WCV1	.692	61.59	.518
		WCV2	.901		
		WCV3	.747		
Compliance	WCP1	.909	62.26	.544	
	WCP2	.882			
	WCP3	.514			

### Analysis of Response Rate

The survey was conducted in 3 states of the Northern part of Nigeria, with a total of 400 customers who maintain accounts with Jaiz bank Nigeria Plc. 400 questionnaires were distributed during the survey. The sampled branches are Jaiz bank Bauchi branch, Gombe branch, and Yola branch. However, as illustrated in Table 4.3, out of the (returned number) of questionnaires, a total number of 303 questionnaires were retained as found valid for the analysis. After the data collection, the information obtained was coded and entered into a Statistical Package for Social Sciences (SPSS) software. A total of 33 responses were rejected and excluded from the coding process because of incomplete pages, hence, a total of 33 questionnaires were removed while 303 retained and used for further analysis. The removal of such outliers was informed from the reasoning

that outlier extreme cases usually affect the distribution of dataset thereby affecting the result of the analysis (Pallant, 2011). Thus, it is expected that removal of an outlier, in this case, will improve the result of this study.

**Table 3.1: Response Analysis**

Item	Frequency	Percentage %
Total distributed questionnaire	400	100
Total returned questionnaire	336	84
Total rejected questionnaire	33	8.5
Total usable questionnaire	303	75

This response rate is considered adequate for this research based on the argument of Sekaran (2003), that response rate of 30 percent is acceptable for surveys. The rate is also considered adequate based on the recommendation that sample size should be 5 to 10 times number of variables in a study (Hair *et al.*, 2010; Bartlett *et al.*, 2001). Moreover, since this study is utilizing PLS, which requires a minimum of



30 responses (Chin, 1998), and particularly as Nigerian phenomenon of low response rate in social science studies, this study's 75 percent response rate falls within the adequate range (Linus, 2001).

**Overall Responses on the level of Satisfaction with the product's Characteristics**

This section describes and analyses the respondents' general satisfaction base on their experience with the products. In this study, to analyze the scaled level of responses, the mean score decision interval was adapted from Kasim et al. (2013) and Hassanain & Iftikhar (2015) from which the following interval decisions were deduced.

- i. Mean score interval between 1.00 and 1.80 represent very poor/very dissatisfied
- ii. Mean score interval between 1.81 and 2.60 represent poor/dissatisfied
- iii. Mean score interval between 2.61 and 3.40 represent moderate
- iv. Mean score interval between 3.41 and 4.20 represent good/satisfied
- v. Mean score interval between 4.21 and 5.00 represent very good/very satisfied

**Respondents level of satisfaction with the perceived quality of Wadi'ah**

Respondents' level of satisfaction with the perceived quality of Wadi'ah is measured by six items coded from WPQ1 to WPQ6 as presented in Table 4.4.

**Table 3.4: Respondents level of satisfaction with the perceived quality of Wadi'ah**

Code	Statements	SD=1 (%)	D=2 (%)	N=3 (%)	A=4 (%)	SA=5 (%)	Mean
WPQ1	The process of opening this account is fast and effective	2	30	118	118	35	3.00
		0.7%	9.9%	38.9%	38.9%	11.6%	
WPQ2	The Information about this account on leaflets is sufficient and can easily be understood	0	18	97	157	31	3.00
		0.0%	5.9%	32.0%	51.8%	10.2%	
WPQ3	The features and benefits offered in this account are known to me	1	27	103	141	31	3.07
		0.3%	8.9%	34.0%	46.5%	10.2%	
WPQ4	There are easy means of depositing money into this account	0	32	102	128	41	3.47
		0.0%	10.6%	33.7%	42.2%	13.5%	
WPQ5	There are easy means of withdrawals	1	29	99	136	38	3.51
		0.3%	9.6%	32.7%	44.9%	12.5%	
WPQ6	In case of a complaint, my problem is easily attended to/solved	4	39	92	120	48	3.45
		1.3%	12.9%	30.4%	39.6%	15.8%	
<b>AGGREGATES</b>							<b>3.25</b>

Table 3.4 revealed the respondents' satisfaction with the perceived quality of Wadi'ah. Respondents agree with the fastness and effectiveness of the process of opening the account as more than 50% of the respondents agree, while 39% were moderate (Neutral) on the effectiveness and fastness of the process of opening Wadi'ah account in Jaiz bank and 11% disagree on that regard. The same pattern follows the rest of the items on the perceived quality of wadiah as the respondents agree with more

than 50% of the respective items. The aggregate mean score of the perceived quality of Wadi'ah was found to be moderate (3.25) among the customers.

**Respondents level of satisfaction with the Cost of using Wadi'ah**

Responses to the level of satisfaction with the cost of using Wadi'ah is measured by three items coded from WCO1 to WCO3 as presented in Table 3.5

**Table 3.5: Respondents level of satisfaction with the cost of using Wadi'ah**

Code	Statements	SD=1 (%)	D=2 (%)	N=3 (%)	A=4 (%)	SA=5 (%)	Mean
WCO1	I feel there are low charges for maintaining this account	2	32	103	156	10	3.46
		0.7%	10.6%	34.0%	51.5%	3.3%	
WCO2	I feel there are higher charges for maintaining this account	1	28	111	143	20	3.52
		0.3%	9.2%	36.6%	47.2%	6.6%	
WCO3	The cost of ATM Card is higher compared to other banks	4	41	93	134	31	3.52
		1.3%	13.5%	30.7%	44.2%	10.2%	
<b>AGGREGATES</b>							<b>3.50</b>

Table 3.5 shows the respondents satisfaction with the cost of using Wadi'ah account in which they agree that the account maintenance charges and cost of ATM cards are as high as 54% each, and 36% and 30% were moderate in their decision on the account maintenance charges and cost of ATM cards respectively, though 9% and 14% of the respondents disagree with the higher cost of maintenance and cost of ATM cards respectively. And the aggregate

mean score of 3.50 is good which implies that they are satisfied with the cost of using Wadi'ah despite been high.

### Respondents level of satisfaction with the Convenience in using Wadi'ah

Respondents' level of satisfaction with the convenience of using Wadi'ah is measured by three items coded from WCV1 to WCV3 as presented in Table 3.6.

**Table 3.6: Respondents level of satisfaction with the Convenience in using Wadi'ah**

Code	Statements	SD=1 (%)	D=2 (%)	N=3 (%)	A=4 (%)	SA=5 (%)	Mean
WCV1	I feel convenient in keeping my money in this account	1	21	85	176	20	3.94
		0.3%	6.9%	28.1%	58.1%	6.6%	
WCV2	The transaction procedures are convenient for me	0	27	107	134	35	3.47
		0.0%	8.9%	35.3%	44.2%	11.6%	
WCV3	I conveniently receive my transaction alert without delay	8	15	51	111	118	3.95
		2.6%	5.0%	16.8%	36.6%	38.9%	
<b>AGGREGATES</b>							<b>3.78</b>

1=Strongly Disagree (SD); 2=Disagree (D); 3= Neutral (N); 4=Agree (A); 5=Strongly Agree (SA)

Responses on the convenience of the customers in using Wadi'ah account indicate that 65% agree that they feel convenient in keeping their money in Wadi'ah account, 28% maintain neutrality in their responses while 7% disagree with the statement to that effect, 55% and 75% also agree that they are convinced with the general transaction procedures and getting their transaction alerts on time respectively, and 35% and 17% were undecided to that effect while 9% and 7% respectively disagree that they feel convenient in using

the Wadi'ah account of Ja'iz bank Nigeria Plc. And the aggregate mean score of 3.78 also determines that they are satisfied with conveniences in using Wadi'ah account.

### Respondents level of satisfaction with the Compliance of the Wadi'ah Account

Respondents' level of satisfaction with the Compliance of the Wadi'ah account with shari'ah is measured by three items coded from WCP1 to WCP3 as presented in Table 3.7.

**Table 3.7: Respondents level of satisfaction with the Compliance of the Wadi'ah Account**

Code	Statements	SD=1 (%)	D=2 (%)	N=3 (%)	A=4 (%)	SA=5 (%)	Mean
WCP1	The process of the transaction in this account is highly shari'ah compliant	0	24	99	160	20	3.78
		0.0%	7.9%	32.7%	52.8%	6.6%	
WCP2	There are no interest charges involved	1	19	95	165	23	3.90
		0.3%	6.3%	31.4%	54.5%	7.6%	
WCP3	The saved money was not used in non-halal transactions	1	21	83	157	40	2.89
		0.3%	7.0%	27.5%	52.0%	13.2%	
<b>AGGREGATES</b>							<b>3.52</b>

1=Strongly Disagree (SD); 2=Disagree (D); 3= Neutral (N); 4=Agree (A); 5=Strongly Agree (SA)

Responses on the compliance of Wadi'ah account to the principles of shari'ah show that the process of the transaction on the account, the absence of interest charges and engaging money in non-shari'ah compliant businesses, customers are satisfied that the dictates of

shari'ah are followed with 59%, 62%, and 65% respectively. 32%, 31%, and 27% were not decided on whether there is compliant of shari'ah in the process of the transaction with Wadi'ah account, while 8%, 6% and 7% disagree to that effect. The aggregate mean score of 3.52 suggests that customers

are satisfied with the compliance of shari'ah in the process of the transaction on Wadi'ah account.

### Respondents level of the general satisfaction with the products

Respondents' level of the general satisfaction with the products is measured by ten items coded from CS1 to CS10 as presented in Table 3.8.

**Table 3.8: Respondents rating of general satisfaction with the products.**

Code	Statements	HS=1 (%)	S=2 (%)	N=3 (%)	D=4 (%)	HD=5 (%)	Mean
CS1	Satisfaction with the terms and conditions	4	22	74	128	75	3.82
		1.3%	7.3%	24.4%	42.2%	24.8%	
CS2	Satisfaction with the compliance of the products with shari'ah	6	18	47	176	56	3.48
		2.0%	5.9%	15.5%	58.1%	18.5%	
CS3	Satisfaction with the cost of maintaining the accounts	4	5	70	156	67	3.92
		1.3%	1.7%	23.2%	51.7%	22.2%	
CS4	Satisfaction with the quality of the contractual items	9	5	94	135	60	3.65
		3.0%	1.7%	31.0%	44.6%	19.8%	
CS5	Satisfaction with the availability of the needed products	17	43	117	52	74	3.04
		5.6%	14.2%	38.6%	17.2%	24.4%	
CS6	Satisfaction with the accessibility of the products	26	38	85	92	62	2.94
		8.6%	12.5%	28.1%	30.4%	20.5%	
CS7	Satisfaction with time length for the supply of the products	21	24	96	98	64	2.89
		6.9%	7.9%	31.7%	32.3%	21.1%	
CS8	Satisfaction with the level of risk involved in using the products	12	17	89	108	77	3.73
		4.0%	5.6%	29.4%	35.6%	25.4%	
CS9	Satisfaction with specification of the ordered products	1	15	46	145	96	3.05
		0.3%	5.0%	15.2%	47.9%	31.7%	
CS10	Satisfaction with the friendliness of the staff	0	4	39	103	157	3.72
		0.0%	1.3%	12.9%	34.0%	51.8%	
<b>AGGREGATES</b>							<b>3.42</b>

1=Highly Satisfied (HS); 2=Dissatisfied (D); 3= Neutral (N); 4=Satisfied (S); 5=Highly Dissatisfied (HD)

Responses on the level of the general satisfaction on the products show that customers are generally satisfied with these products characteristics as the aggregates mean shows 3.42 which falls within the range of 'Good/Satisfied' (Hassanain & Iftikhar, 2015). This signifies that the levels of satisfaction with these products as perceived by the customer is higher and fall on the positive side of the customers' satisfaction model (Kano, 1984).

### Convergent Validity and Reliability

The assessment of the Convergent validity was done using the factor loadings, t- statistics, Average Variance Extracted (AVE) and composite reliability. When the

factor loadings are found to be high and statistically significant, then the Convergent validity is said to have been achieved. Wong, (2013), asserted that a t-statistic value above 1.96 indicates a significant outer loading. Average Variance Extracted (AVE) is recommended to be above 0.5, while composite reliability is recommended to be above 0.6 (Bagozzi & Yi, 1988). The use of Average Variance Extracted (AVE) to measure the convergent validity ensures that each measurement model measures what it is supposed to measure. It also shows that the constructs are free from measurement errors. It shows that the items in the construct are valid and reliable which ensure the accuracy of the research findings.

**Outer (measurement) model of wadiah product quality towards customer satisfaction (Table 3.9)**

Items	Factor Loadings	T-value	Average Variance Extracted (AVE)	Composite Reliability (C.R)
WPQ1	0.961	94.671**	0.835	0.968
WPQ2	0.957	85.156**		
WPQ3	0.947	53.648**		
WPQ4	0.945	68.435**		
WPQ5	0.977	23.817**		
WPQ6	0.652	13.322**		

Significant level \*\*p<0.05

Table 3.9 is the outer model of the perceived quality of wadiah towards customer satisfaction construct presenting the factor loadings, t-statistics, Average Variance Extracted (AVE) and composite reliability. The entire items factor loadings, ranging from 0.652 to 0.977 were significant at 0.001 level, with t-statistics value ranges from 13.322 to 94.671 above

the lowest threshold of 1.96. The AVE was 0.835 above the recommended 0.5 thresholds. Thus, the estimation is good (Wong, 2013). The composite reliability (C.R) value was 0.968 above the recommended 0.6, signifying high internal consistency of the outer (measurement) model. Therefore, the convergent validity and reliability were confirmed.

### Outer (measurement) model of wadiah cost towards customer satisfaction

Table 3.10: An outer model of the cost of wadiah towards customer satisfaction.

Items	Factor Loadings	T-value	Average Variance Extracted (AVE)	Composite Reliability (C.R)
WCO1	0.732	6.008**	0.678	0.862
WCO2	0.927	11.234**		
WCO3	0.799	7.501**		

Significant level \*\*p<0.05

Table 3.10 is the outer model of the cost of wadiah towards customer satisfaction construct presenting the factor loadings, t-statistics, Average Variance Extracted (AVE) and composite reliability. The entire items factor loadings, ranging from 0.732 to 0.927 were significant at 0.001 level, with t-statistics value ranges from 6.008 to 11.234 above the lowest

threshold of 1.96. The AVE was 0.678 above the recommended 0.5 thresholds. Which shows that the estimation is good (Wong, 2013). The composite reliability (C.R) value was 0.862 above the recommended 0.6, signifying high internal consistency of the outer (measurement) model. Therefore, the convergent validity and reliability were confirmed.

### Outer (measurement) model of Wadi'ah convenience towards customer satisfaction

Table 3.11: An outer model of the cost of wadiah convenience towards customer satisfaction.

Items	Factor Loadings	T-value	Average Variance Extracted (AVE)	Composite Reliability (C.R)
WCV1	0.708	9.096**	0.649	0.846
WCV2	0.933	43.951**		
WCV3	0.759	9.444**		

Significant level \*\*p<0.05

Table 3.11 is the outer model of the convenience of Wadi'ah towards customer satisfaction construct presenting the factor loadings, t-statistics, Average Variance Extracted (AVE) and composite reliability. The entire items factor loadings, ranging from 0.708 to 0.933 were significant at 0.001 level, with t-statistics value ranges from 9.096 to 43.951 above the lowest

threshold of 1.96. The AVE was 0.649 above the recommended 0.5 thresholds. Thus, the estimation is good (Wong, 2013). The composite reliability (C.R) value was 0.846 above the recommended 0.6, signifying high internal consistency of the outer (measurement) model. Therefore, the convergent validity and reliability were confirmed.

### Outer (measurement) model of wadiah compliance towards customer satisfaction

Table 3.12: An outer model of the cost of wadiah compliance towards customer satisfaction

Items	Factor Loadings	T-value	Average Variance Extracted (AVE)	Composite Reliability (C.R)
WCP1	0.984	15.981**	0.974	0.991
WCP2	0.994	16.041**		
WCP3	0.983	15.994**		

Significant level \*\*p<0.05



Table 3.12 is the outer model of the compliance of wadiah towards customer satisfaction construct presenting the factor loadings, t-statistics, Average Variance Extracted (AVE) and composite reliability. The entire items factor loadings, ranging from 0.983 to 0.994 were significant at 0.001 level, with t-statistics value ranges from 15.981 to 16.041 above the lowest threshold of 1.96. The AVE was 0.974 above the recommended 0.5 thresholds. Thus, the estimation is good (Wong, 2013). The composite reliability (C.R) value was 0.991 above the recommended 0.6, signifying high internal consistency of the outer (measurement) model. Therefore, the convergent validity and reliability were confirmed.

**Inner (structural) Model of Wadi’ah**

The inner (structural) model was modelled using the PLS interface. The outer models, comprising the exogenous latent constructs of PQ, CO, CV and CP for Wadi’ah, as well as the endogenous construct of CS, were connected by path arrows pointing the dependent construct to form the structural model. The result of the structural model is depicted in figure 3.1 below. The result model shows an R<sup>2</sup> value of 0.281, which means 28% of the variance of customer satisfaction is explained by the exogenous constructs of perceived quality, cost, convenience and compliance of Wadi’ah. The 0.281 value of R<sup>2</sup> is substantially above the recommended value of 0.26 according to Cohen (1998). The constructs were found to be strong in determining the satisfaction of customers as they produced R<sup>2</sup> of 0.281 as shown in Figure 3.1.



Figure 3.1: Inner (structural) Model of Wadi’ah

**Hypothesis testing**

The following formulated hypotheses were tested, and the result is presented in Table 3.13.

Table 3.13: Hypotheses testing

Hypothesis	Path	Paths Coefficient	Standard Deviation	T statistics	P Value	Decision
H1	WPQ -> CS	0.313	0.063	4.943**	0.000	Accepted
H2	WCO -> CS	0.121	0.061	1.990**	0.047	Accepted
H3	WCV -> CS	0.370	0.070	5.303**	0.000	Accepted
H4	WCP-> CS	0.195	0.063	3.079**	0.002	Accepted
	R <sup>2</sup>	0.281	**	**	**	

Significant level \*\*p<0.05

Table 3.21 shows the result of the hypothesis testing. The four formulated hypotheses show the path coefficient, t-values and significance level. The results conclude that all path coefficients report a significant level, at  $P < 0.05$ . In other words, the results reveal that all the study hypotheses were supported. Perceived quality has an effect on customer satisfaction as tested in hypothesis one (H1), was accepted and also in Hypothesis two (H2) on the effects of cost on customer satisfaction was accepted with  $p > 0.047$  and t-statistics value at 5.303 above the recommended 1.96 thresholds. Hypotheses three and four (H3 and H4) were also accepted at a p-value of 0.000 and 0.002 respectively less than the recommended p-value of 0.05. This is explained by the  $R^2$  value of 0.281 which is moderate.

## CONCLUSION

Customer satisfaction has been established to be the priority of any commercial bank. However, this is hardly achieved all over due to many problems ranging from changes in taste of the customers, pressures from competitors, the perception of the customers with regards to the products and services rendered by the banks, the quality of the products and services and so on.

This study investigated the effects of Islamic bank product's characteristics in relation to customer satisfaction. The satisfaction of the customers on the perceived quality of the product, cost of using the product, convenient as observed by the customers and the compliance of the product with shari'ah were studied. The research hypotheses were tested in the survey within the context of customers of Ja'iz Islamic bank of Nigeria.

The results show that higher level of satisfaction was achieved on cost, convenience, and compliance of the product to shari'ah principles, while a moderate level of satisfaction with the perceived quality of the product was attained as responded by the customers. Hence, there is

a need for the bank policymakers to engage in improving the quality of the products to enable them to retain their existing customers and lure other potential customers toward patronizing their products and services.

Finally, banks will manage to remain the essential financial institutions in the industry only if they will be quick in attempting to solving customers problems and providing the customers with their expected or exceed the customers' expectation to avoid switching of customers from one bank to another competitor. Essentially, a comprehensive and well-managed customer satisfaction attainment is never an optional phenomenon but a surviving tool for banks in both short and long run (Ibrahim *et al.*, 2006; Aliyu *et al.*, 2013).

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