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**THE EFFECT OF SERVICE QUALITY ON CUSTOMER
SATISFACTION OF BANK ISLAM MALAYSIA
BERHAD**



**MASTER IN ISLAMIC FINANCE AND BANKING
UNIVERSITI UTARA MALAYSIA
APRIL 2025**

**THE EFFECT OF SERVICE QUALITY ON CUSTOMER
SATISFACTION OF BANK ISLAM MALAYSIA BERHAD**



Thesis Submitted to
College of Business
Universiti Utara Malaysia,
in Partial Fulfilment of the Requirement for the Master in Islamic
Finance and Banking



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ABSTRACT

Customer satisfaction is a pivotal element in the banking industry, particularly in Islamic banking, where unique challenges arise in meeting customer expectations. This study aims to determine the effect of service quality dimensions reliability, responsiveness, assurance, empathy, and tangibles on customer satisfaction at Bank Islam Malaysia Berhad (BIMB) in Northern Malaysia. Using a quantitative research approach, data were collected from 300 respondents through structured questionnaires utilizing Likert scale and analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) and using simple random sampling. The findings reveal that assurance, empathy, and tangibles have significant positive impacts on customer satisfaction. Assurance emerged as the most influential factor, highlighting the importance of knowledgeable and trustworthy staff in building customer trust. Empathy and tangibles elements also demonstrated substantial effects, emphasizing the need for personalized care and modern facilities to enhance satisfaction. Conversely, reliability and responsiveness did not show significant correlations with customer satisfaction. This research contributes valuable insights into the dynamics of service quality within Malaysia's Islamic banking sector. It underscores the necessity for BIMB to focus on assurance, empathy, and tangibles aspects to improve customer satisfaction significantly. Moreover, it highlights the importance of integrating ethical standards with modern technology to maintain customer trust. The study provides actionable recommendations for BIMB to enhance its services and suggests that policymakers support initiatives blending traditional values with technological advancements to foster sustainable banking practices.

Keywords: Service Quality, Customer Satisfaction, Bank Islam Malaysia Berhad, Quantitative Method, PLS-SEM

ABSTRAK

Kepuasan pelanggan merupakan elemen utama dalam industri perbankan, terutamanya dalam perbankan Islam di Malaysia yang menghadapi cabaran unik dalam memenuhi harapan pelanggan. Kajian ini membincangkan tentang kesan dimensi kualiti perkhidmatan kebolehpercayaan, responsif, jaminan, empati dan bentuk fizikal terhadap kepuasan pelanggan di Bank Islam Malaysia Berhad (BIMB) di Utara Malaysia. Menggunakan pendekatan kuantitatif, data dikumpulkan daripada 300 responden melalui soal selidik berstruktur menggunakan *Likert scale* dan dianalisis menggunakan Kaedah *Partial Least Squares Structural Equation Modeling* (PLS-SEM) dan menggunakan teknik persampelan rawak mudah. Dapatan kajian menunjukkan bahawa jaminan, empati, dan bentuk fizikal memberikan kesan positif yang signifikan terhadap kepuasan pelanggan. Jaminan menjadi sebagai faktor paling berpengaruh, yang menunjukkan kepentingan kakitangan yang berkemahiran tinggi dan boleh dipercayai dalam membina keyakinan pelanggan. Empati dan elemen bentuk fizikal juga menunjukkan kesan yang ketara, menekankan keperluan untuk penjagaan peribadi serta kemudahan moden untuk meningkatkan kepuasan pelanggan. Sebaliknya, kebolehpercayaan dan responsif tidak menunjukkan korelasi signifikan dengan kepuasan pelanggan. Kajian ini memberi sumbangan terhadap pandangan yang bernilai tentang dinamik kualiti perkhidmatan dalam sektor perbankan Islam di Malaysia. Ia menegaskan keperluan untuk BIMB memfokuskan usaha pada jaminan, empati, dan aspek bentuk fizikal untuk meningkatkan kepuasan pelanggan secara signifikan. Selain itu, ia menonjolkan kepentingan mengintegrasikan piawai etika dengan teknologi moden untuk mengekalkan keyakinan pelanggan. Kajian ini memberikan cadangan praktikal kepada BIMB untuk memperbaiki perkhidmatannya dan mencadangkan agar pembuat dasar menyokong inisiatif yang menggabungkan nilai tradisional dengan kemajuan teknologi untuk mewujudkan amalan perbankan yang mampan.

Kata Kunci: Kualiti Perkhidmatan, Kepuasan Pelanggan, Bank Islam Malaysia Berhad, Kaedah Kuantitatif, PLS-SEM

DECLARATION

I certify that except where due acknowledgement has been made, the work is that of the author alone; the work has not been submitted previously, in whole or in part, to qualify for any other academic award; the content of the thesis is the result of work which has been carried out since the official commencement date of the approved research program; and any editorial work, paid or unpaid, carried out by a third party is acknowledged.



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LIST OF ABBREVIATIONS

AVE	Average Variance Extracted
BIMB	Bank Islam Malaysia Berhad
BNM	Bank Negara Malaysia
CB-SEM	Covariance-Based SEM
CFA	Confirmatory Factor Analysis
CR	Composite Reliability
PLS-SEM	Partial Least Square SEM
SEM	Structural Equational Modeling
SERVQUAL	Service Quality
SQT	Service Quality Theory

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Significant changes have reshaped banking operations throughout the previous decades because of progressive technology and rising customer demands and worldwide market connections (Ahmed & Khan, 2023). Islamic banking has developed into a quick-growing and active financial sector component in Malaysia's financial industry. Bank Islam Malaysia Berhad (BIMB) began its operations as the first independent Islamic bank in the nation when it launched in 1983 (Siddiqi, 2017). Bank Islam Malaysia Berhad operates under Islamic principles of fairness and equity and mutual benefit to support societal welfare as well as financial requirements of Muslim and non-Muslim customers (Hesse, Jobst, & Sole, 2008).

Islamic banking functions within the laws of Shariah that forbid *riba* interest payments and *maisir* gambling and excess uncertainty through *gharar*. The system focuses on profit and risk coexistence alongside moral conduct (Anouze, Abusham, & Al-Jazzazi, 2019). Research findings from Hesse et al. (2008) demonstrate that Islamic banks establish themselves as reliable institutions in the global financial sector. The growth in the Malaysian Islamic banking industry reached an exceptional 10.3% during 2017 (Siddiqi, 2017). The rapid market expansion confirms people now better comprehend Islamic banking and its financial products. Limits to growth exist because people continue to misunderstand conventional banking and Islamic banking models. Abdul Hamid and Mohd Nordin (2001) conducted research showing that 96.7% of respondents identified that the respondents had limited understanding of Islamic

banking products (Abdul Hamid & Mohd Nordin, 2001). Research shows an inconsistency between the public understanding of Islamic banking products and their distinctive principles and the extent of visitor knowledge about these products.

The banking sector depends heavily on service quality for determining customer satisfaction levels. The SERVQUAL model, which Parasuraman, Zeithaml, and Berry (1988) created, contains five service quality dimensions: tangibles, reliability, responsiveness, assurance, and empathy. These evaluation criteria create a structure to determine organizational performance regarding customer satisfaction. Tangibles refer to the physical elements that customers encounter when receiving services, such as the appearance of facilities, equipment, and communication materials. In the context of Islamic banking, tangibles extend to modern infrastructure, visually appealing branches, and user-friendly digital platforms, all of which contribute to shaping customer perceptions of service quality.

A service component of Islamic banking includes logical elements in addition to physical attributes, such as application layout and system operations. The service demonstrates reliability through its dependable and correct operation. The bank shows its readiness to offer swift assistance through its evaluation of responsiveness. Assurance encompasses the knowledge, courtesy, and trustworthiness of employees and systems. The personalized care which customers receive determines the level of empathy provided to them, according to Parasuraman et al. (1988).

The examinations confirm that banking and other sectors see these dimensions drive customer satisfaction across their operations. Research establishes that both reliability and responsiveness create trust and loyalty more than any other factors in banking

institutions (Ghamry & Shamma, 2022). Empathetic relationships between customers and banks develop through the dual factors of assurance and empathy leading to sustained banking relationships (Kumar & Singh, 2022). The seemingly trivial aspect of tangibles remains essential in building user experiences especially when digital platforms are concerned since user interface appeal and ease of use matter most (Zouari & Abdelhedi, 2021).

The extensive literature base about service quality alongside customer satisfaction exhibits an empty space regarding the precise methods which affect satisfaction ratings within Malaysian Islamic banking. Islamic banks experience unique obstacles because they need to follow Shariah principles as they implement digital banking technologies which conventional banks have widely adopted. The requirement for transparent transaction processes with religious value-aligned digital innovation implementation introduces additional problems according to Anouze et al. (2019). The research requires localized understanding of Malaysian cultural elements and consumer patterns since they might show differences when compared to Western market dynamics (Fontaine & Richardson, 2005).

A study explores the service quality dimension connections which influence customer satisfaction within Bank Islam Malaysia Berhad. The research evaluates which factors shape customer perception by studying the five domains of tangibles, reliability, responsiveness, assurance together with empathy. The study results will assist BIMB to enhance both service delivery and methods which maximize overall customer satisfaction (Annamalah & Munusamy, 2013).

1.2 Problem Statement

Rising market competition with changing customer expectations creates substantial obstacles for Islamic banking institutions to achieve satisfactory customer outcomes. The results from Technical Assistance Research Programs (TARP) data show that 63% of people who complained about BIMB Bank did not receive satisfactory answers from the bank (Annamalah & Munusamy, 2013). As a result the current solutions appear insufficient to properly address customer complaints. The banking sector faces several drawbacks in terms of response duration and speedy processing together with insufficient information delivery (Appannan et al., 2013). Banking institutions must urgently work on developing higher service quality standards because their customers require better solutions.

The core challenge for Bank Islam Malaysia Berhad (BIMB) involves maintaining technological progress with Islamic compliance and serving the needs of multiple clientele. Customer surveys indicate that parts of the service delivery have not satisfied some customers although Bank Islam Malaysia Berhad has put its money into modern infrastructure systems and improved services. Customer satisfaction remains challenging because Bank Islam Malaysia Berhad delivers services with slow response times, inadequate interface design and personalization and system downtimes (Ahmed et al., 2021).

Service quality dimensions (tangibles, reliability, responsiveness, assurance, and empathy) have great connections to customer satisfaction in the Islamic banking sector of Malaysia. The market performance of BIMB will decline if they do not fully understand the customer dynamics since competitors outpace them in service

alignment with specific needs. Zouari and Abdelhedi (2021) demonstrate that physical facilities and digital platforms substantially impact customer satisfaction in Islamic banking environments although these aspects are typically neglected in such contexts. Ghamry and Shamma (2022) emphasize how banking customers develop trust and loyalty through reliable services and prompt responses.

Research that addresses unique Malaysian cultural differences and customer behaviors needs to focus on specific localizations because Western research approaches do not sufficiently apply (Fontaine & Richardson, 2005). The special difficulties Islamic banks encounter when they try to blend Shariah principles with modern customer requirements (Febriansyah et al., 2022). Research into customer satisfaction improvement requires detailed investigation of service experience factors because Islamic banks operate with a dual mission banking system.

Islamic banks experience additional operational difficulties because of the recent rise in digital banking services. Modern technology adoption by conventional banks presents distinctive obstacles for Islamic banks because they need to follow Shariah law principles. Locking down transparent transacting procedures and attuning technological breakthroughs to religious core values leads to complex situations (Anouze et al., 2019). The research needs to focus on discovering particular service quality factors that significantly affect Islamic banking customer satisfaction.

To create effective retention strategies, BIMB needs complete understanding of its customers' needs which will enable them to deliver improved satisfaction. BIMB must focus its resources on improving service quality aspects that significantly affect customer satisfaction after confirming their most important dimensions. This research

enables regulators and policymakers to find direction that supports digital banking solution adoption in Islamic finance because of its valuable output (Hassan et al., 2023).

1.3 Research Questions

1. Does the reliability affecting customer satisfaction of Bank Islam Malaysia Berhad?
2. Does the responsiveness affecting customer satisfaction of Bank Islam Malaysia Berhad?
3. Does the assurance affecting customer satisfaction of Bank Islam Malaysia Berhad?
4. Does the empathy affecting customer satisfaction of Bank Islam Malaysia Berhad?
5. Does the tangibles affecting customer satisfaction of Bank Islam Malaysia Berhad?

1.4 Research Objectives

More specific objectives have been formed based on the problem statement and research questions above, which are:

1. To examine in the effect of reliability on customer satisfaction in Bank Islam Malaysia berhad.

2. To analyze the effect responsiveness on customer satisfaction in Bank Islam Malaysia berhad.
3. To determine of the effect assurance on customer satisfaction in Bank Islam Malaysia berhad.
4. To investigate of the effect empathy on customer satisfaction in Bank Islam Malaysia berhad.
5. To analyze the effect tangibles on customer satisfaction in Bank Islam Malaysia berhad.

1.5 Significance of the Study

1.5.1 Theoretical and Empirical Significance

This study contributes significantly to the theoretical and empirical understanding of service quality dimensions and their impact on customer satisfaction within the context of Islamic banking, particularly at Bank Islam Malaysia Berhad (BIMB). From a theoretical perspective, it extends the application of Parasuraman, Zeithaml, and Berry's (1988) SERVQUAL model to the unique operations of Islamic banking, which must align with Shariah principles while meeting modern customer expectations. By focusing on the five dimensions that are tangibles, reliability, responsiveness, assurance, and empathy the research bridges gaps in existing literature regarding how these factors influence customer satisfaction in an Islamic banking environment. Empirically, the findings reveal that assurance, empathy, and tangibles have significant positive impacts on customer satisfaction, while reliability and responsiveness do not show significant correlations. This challenges prior assumptions

and highlights the need for further investigation into the evolving dynamics of customer expectations in Islamic banking. The study also underscores the importance of integrating traditional values with modern technological advancements, providing a foundation for future research to explore sustainable banking practices in diverse cultural contexts.

1.5.2 Practical Significance

From a practical standpoint, this research offers actionable insights for Bank Islam Malaysia Berhad (BIMB) and other Islamic financial institutions aiming to enhance customer satisfaction. The study identifies assurance, empathy, and tangibles as critical areas where BIMB can focus its resources to improve service delivery and customer loyalty. For instance, investing in staff training to ensure employees are knowledgeable about Shariah-compliant products and demonstrating personalized care through empathetic interactions can foster trust and long-term relationships with customers. Additionally, upgrading physical facilities and digital platforms to align with Shariah principles while maintaining user-friendly interfaces can enhance the overall customer experience. Policymakers and regulators are encouraged to support initiatives that blend ethical standards with technological innovations, ensuring that Islamic banks remain competitive in an increasingly digitalized market. These practical recommendations not only assist BIMB in addressing current challenges but also provide a roadmap for other financial institutions in Northern Malaysia and beyond to adopt customer-centric strategies that promote sustainable growth and ethical banking practices.

1.6 Scope of the Study

This studies the effect of service quality dimensions which include tangibles, reliability, responsiveness, assurance, and empathy on customer satisfaction within Bank Islam Malaysia Berhad (BIMB). The study examine both how these dimensions impact customer satisfaction and how to use them to improve customer loyalty in Islamic banking institutions. The research data collection process involved administering 300 surveys to respondents who answered through organized questionnaires.

The research conducted its analysis within the economic active Northern Malaysia region because it represents a powerful banking transaction area. Individual customers of Bank Islam Malaysia Berhad situated in Northern Malaysia served as the research unit. Analysis clients from BIMB banks based in Penang, Kedah, and Perlis formed the sample population. These geographical regions demonstrate various population characteristics which guarantee the study produces results that incorporate diverse views about Islamic banking service within this context.

1.7 Definition of Key Terms

1.7.1 Customer Satisfaction

Customer Satisfaction is the practice that aims to fulfill the demands which customers hold regarding products as well as services. Service quality leads to customer

satisfaction when BIMB delivers services at or above expectations although dissatisfied customers may appear when their expectations are not met (Siddiqi, 2017).

1.7.2 Service Quality

Service quality represents a fundamental priority among service industries because banking employees in financial service providers must demonstrate unique product characteristics to their customers. According to Molaei et al. (2013) service quality represents the dissimilarities between standard service anticipations and customer ratings of received service offerings.

1.7.3 Reliability

Solving customer service problems forms the foundation of reliability in addition to offering the best suitable service exactly when promised to customers without service failures (Siddiqi, 2017).

1.7.4 Responsiveness

Parasuraman et al. (1994) define employee willingness to respond as notification to customers regarding service completion and dedicated service through advertisements and thorough customer inquiry handling.

1.7.5 Assurance

The delivery of assurance relies on personnel who demonstrate respectful behavior alongside extensive knowledge to build loyal customers who trust the services. Parasuraman et al. (1988) security-related feelings and perceptions increase banking industry satisfaction among customers.

1.7.6 Empathy

When companies practice empathy they use special customer-oriented attention and care to serve their clients. The approach delivers focused care to personnel who understand customer requirements by providing excellent service solutions to their clientele (Pakurár et al., 2019).

1.7.7 Tangibles

The firms show their representatives and physical facilities together with their materials and equipment which they provide to customers through communication channels. The well-kept physical surroundings demonstrate that service providers are dedicated to offering detailed service features to their customers (Parasuraman et al., 1988).

1.8 The Organisation of the Study

Multiple key chapters within this research project concentrate on different research characteristics. For the chapter one, as a the introductory chapter of the study explains its background information while showing its critical importance as well as listing its research questions and main purpose.

Chapter two draws its literature base from previous academic studies which examined global service quality adoption together with customer satisfaction and Islamic banking. This section explain about theoretical frameworks alongside concepts for use in the study to reveal the research gaps the current investigation targets.

Chapter three elaborates on the research design that consists of research approach and data collection and sampling strategy components. The methods of data collection for instance surveys and analysis techniques are both explained through the text.

Chapter four demonstrates an empirical data analysis that includes statistical tests alongside an assessment of qualitative data patterns. The results from this investigation are analyzed in reference to the previous chapter research. The study presents findings wich is factors that effect significance service quality on customer satisfaction BIMB and the banking sector.

The concluding section evaluates the analytical outcomes to reach conclusions while proposing ways that enhance services quality and customer satisfaction. The research may make recommendations about future research opportunities alongside its findings.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Chapter Two reviews existing literature relevant to the study, focusing on service quality dimensions and their impact on customer satisfaction in Islamic banking. It explores key concepts such as the SERVQUAL model's five dimensions tangibles, reliability, responsiveness, assurance, and empathy, and their application in the context of Bank Islam Malaysia Berhad (BIMB).

2.2 Overview of Bank Islam Malaysia Berhad (BIMB)

2.2.1 Profile of the Bank Islam Malaysia Berhad (BIMB)

BIMB is one of premier Islamic banks in Malaysia established in the year 1983 and with its establishment Malaysia got its first Islamic bank. It was established with the purpose of acting as an Islamic Bank for Muslims and other people of other religions, and a commercially vested banking entity that deals with Islamic Banking products and offers Islamic Banking solutions in compliance with the shariah laws of the Malaysia, therefore, being among the vital halves of the makeup of the Malaysian Islamic Banking market. The most important products offered by BIMB are deposit accounts, personal and home financing, investment, insurance (takaful), and wealth management to cater for the Islamic finance free of Riba, Maysir and Gharar. It is established that the bank has been operating in a very oligopolistic market, where are

faced with the challenges of satisfying the expectations Islamic financial institutions of the regulators and the customers in relation to addressing modern technological innovations in the delivery of banking services.

2.2.2 The Establishment and Development of the BIMB

Established by the government through the Ministry of Finance, BIMB was borne to offer sound financial related products and services in accordance to Islamic standards of finance and banking whereby the major products included those based on Islamic trade referred to as mudarabah and Murabahah. The decision to implement Islamic banking was operational as it created the needed competition for the traditional banking systems that are based purely on-interest systems, which are prohibited by Islamic laws.

Ever since its formation, BIMB has been through a tremendous growth and the growth of the Islamic financial market in Malaysia as the company has played an essential role in enhancing. Along these operations changed, the range of the services provided by the bank has expanded to meet the increased need for the Islamic financial services, but not only for Muslims, for ethical non-Muslim customers as well. Another drastic change in operations in recent years has been a technological revolution where the organization has embraced the use of digital platforms in delivering its services like mobile banking the reality is taken closer to the customers especially the youths in society.

2.2.3 A Study to Determine Customer Satisfaction in BIMB

For a long time, customer satisfaction has been among the major strategic objectives of BIMB through offering excellent services that conform to the Islamic banking system. In July, the Bank Negara Malaysia (BNM) in their report pointed out that, it is the ‘shareholder satisfaction’ with the financial facility as an offering that distinguishes the services of an Islamic bank and is regarded as the degree to which the banks in offering and fulfilling the various products, services, and promissory notes abide by the above-discussed ethical norms of Islam. Observing the impact of BIMB on customers satisfaction, the company has embrace technology to enhance the means of delivering services. A study by Faridah et al. (2019) explored the factors that determine customer satisfaction that affecting satisfaction with BIMB and therefore customer loyalty, trust concerning the Shariah compliance of the BIMB products, reliability of competitive mobile banking services and the availability of the products all determine the level of satisfaction of the consumer, and by extension, customer base of BIMB always expanding as the banking industry evolves in Malaysia. Based on Malaysia’s Institute of Islamic Banking and Finance survey conducted in 2023 discovered that ethical banking and Shariah compliance that BIMB upholds was a key factor that guarantees customer loyalty.

2.2.4 Sustainable as well as ethical banking at BIMB

Currently, Bank Islam Malaysia Berhad has aligned itself as a leading champion of sustainable and ethical banking. On one of its key focus areas, the bank has evidenced its focus on the programmes like Green Financing Initiative and Islamic ethical investment plans. Most of the more specific activities can be grouped together under the umbrella of ‘Community Focus,’ where the bank is heavily involved in sponsoring and supporting all things to do with financial inclusion, social investment, and corporate responsibility as well as protecting the environment. Subsequently in 2022, BIMB ventured into sustainable finance which targeted environment friendly social projects. The program is in line with BIMB’s aspiration to sustainably integrate the Group’s operations with the current world trends in which sustainable finance is becoming a priority for clients of a new generation. In the study of Alina and Zawiah (2023) on sustainable finance in Malaysia, BIMB is focusing on sustainability, and at the same time, it offers Shariah-compliant financing products which make the bank has a competitive advantage in the market.

2.3 Dependent Variables

2.3.1 Customer Satisfaction

Customer satisfaction stands as the main assessment metric for banks that connects to their market relationships while serving as the basis to boost company reputation and guide operational execution (Munari et al., 2013). Customer satisfaction is an aspect that is closely related to value creation for customers. When customers are satisfied,

this provides benefits for the bank, such as the creation of a harmonious interaction between the company and customers, becoming a good foundation for maintaining customer satisfaction, as well as producing profitable word-of-mouth recommendations. This positive impact increases customer interest in buying or using the company's services (Sasongko, 2021).

The post-purchase assessment defines customer satisfaction as the evaluation between the actual performance of chosen products or services and their initial anticipated levels. If the perception of performance cannot meet expectations, then this will result in dissatisfaction (Tjiptono, 2012). Consumer satisfaction or dissatisfaction can be defined as a consumer reaction to an assessment of a perceived discrepancy or discrepancy between previous expectations (or other norms) and the actual performance of the product after use. Consumer satisfaction is a condition in which the wants, hopes, and needs of consumers are satisfied. A service is considered satisfactory if it can meet the needs and expectations of customers (Anggarawati, 2021).

Biesok (2017) presented satisfaction of the customer as the fulfillment level when products meet the expectations consumers have. Customer satisfaction stands as the fundamental concept in current marketing studies according to (Hammoud & Bizri, 2018). The degree of customer satisfaction shifts based on what customers want and need alongside their service expectations as well as their perception of the product and service quality (Trivedi, 2017).

The quality of delivered service determines customer satisfaction specifically (Sukoco et al., 2019). The customers exhibit comparable reactions due to a perceived

discrepancy between their expectations and actual service encounters in the industry (Boonlertvanich, 2019). A strong long-term bond will form between service providers and customers because client perception of product and service performance surpasses their expectations. Low perceived productivity leads to negative disconfirmation which might create relationship discontinuity along with negative word of mouth among others (Ahmed et al., 2021). Bank customer satisfaction stems primarily from facility accessibility and employee conduct rather than the facilities and services banks deliver to their customers or service qualities and bank reputation (Mat Nayan & Hassan, 2020). According to Ali & Raza (2015), all elements of service quality demonstrate a healthy positive connection with customer satisfaction. The banking sector depends on three main variables which are customer satisfaction combined with service quality and competitive advantage and profitability (Ali & Raza, 2015).

2.4 Independent Variables

2.4.1 Service Quality

According to Ushantha et al. (2014), the quality of services has a major impact on an organization's performance, success, and survival in the banking sector. Multiple research studies presented by Ahmed et al. (2021) form the basis of service quality which scholars across all disciplines have thoroughly investigated. Service quality occurs when customers evaluate the actual performance against the anticipated service quality level (Parasuraman et al., 1988). A variety of research evidence showed customers understand service quality as their own interpretation of quality before making an impression about it (Ushantha et al., 2014). Customers form their

expectations about the upcoming service during the transaction duration. Due to its consumer-focused nature service quality delivers enhanced problem solutions for customers in all types of business transactions (Siddiqi, 2017). Market competition creates advantages for companies as studies reveal that their high-quality services drive business success.

Organizations deliver their version of total service quality but customers independently judge and evaluate the completed service quality assessment. Organizations will examine their strategies because of the existence of actual-service quality disparities against customer perceptions (Siddiqi, 2017). Marketing produces service quality theory through which organizations can develop meaningful exchanges with their customers (Molaei et al., 2013). The banking industry and servicing sector depend on quality of service because they struggle to show distinctions between their products. Accomplished researchers within this field conducted various studies of service quality through their exploration of theoretical frameworks and their demonstration of service implementation among distinctive characteristics (Al-Azzam, 2015). Several models assist researchers to determine elements which influence service quality and their influence on end results. Through collecting customer service delivery perceptions and business-provided services, Parasuraman et al. (1988) created the quality of service model known as servqual.

Parasuraman et al. (1985) first recognized ten service quality dimensions that evolved into 5 dimensions through Parasuraman et al. (1988) into Empathy, Assurance, Responsiveness, Reliability and Tangibles aspects. The SERVQUAL model lacks web technology-based service quality specific elements because it was created exclusively

for consumer-banking employee communication (Bhagat, 2012). Despite multiple service quality measurement models researchers choose the SERVQUAL instrument because it provides an easy method to assess service quality (Siddiqi, 2017).

The SERVQUAL model faced disagreements but its 22 elements of service quality dimensions stayed unchanged to retain status as one of the five dimensions service quality elements which researchers consider cover the complete domain (Ali & Raza, 2015). The banking industry currently sees many studies working to create an improved instrument for service quality measurement. The majority of research studies have used the SERVQUAL model for banking industry service quality assessment alongside satisfaction measurement while service quality functions as a multifunctional concept (Pakurár et al., 2019). The customer satisfaction level in banking industry increases whenever service providers offer high-quality services because service quality acts as basic factors that influence satisfaction (Piason et al., 2013). Improved service qualities will directly result in better customer satisfaction levels in banking industry. The service quality evaluation in different business environments utilized SERVQUAL and Gronroos's model as research approaches (Piason et al., 2013).

Businesses and individual service marketers in banking need to understand thoroughly which bank service attributes customers use to select their banking institution for transactions (Al-Azzam, 2015). The decision process about bank services depends on both banking name and bank reliability combined with bank security clauses alongside physical facilities of the bank branches. Service providers will enhance customer

satisfaction perception because they know what factors customers use to evaluate their services (Boonlertvanich, 2019).

2.4.2 Dimensions of Service Quality

This study evaluates five service quality factors: tangibles, responsiveness, empathy, assurance and reliability to determine their effect on customer satisfaction. The SERVQUAL model utilizes the five dimensions in this investigation to address banking requirements in Northern region of Malaysia.

2.4.2.1 Reliability

Service reliability entails businesses to deliver their services correctly during the first transaction according to Parasuraman et al. (1985; 1988). A bank demonstrates reliability by providing planned services with dependable performance and correct results. Service quality assessment depends heavily on reliability according to Bitner & Hubbert (1994). The banking industry demands complete commitment fulfillment from customers because dependability and accuracy are their prime requirements in this field. Measuring reliability successfully requires analyzing service delivery repetitiveness alongside customer assistance functionality and all service-level warranty execution (Oliver, 1997). According to Vencataya et al. (2019) reliability means service providers must deliver their services accurately and without delay when every service meets consistency standards. Reliability stands as the primary component of SERVQUAL mode (Pakurár et al., 2019).

The main priority for BIMB must be to uphold reliable services since customers now expect banking interactions to be fluid. Customer satisfaction stems significantly from the combination of quick service delivery along with speedy inquiry responses and prompt problem resolution according to Høst and Knie-Andersen (2004). The Islamic banking context requires reliability to extend further than transactional aspects by ensuring that all provided services comply with Islamic principles. A competitive advantage for BIMB stems from their ability to provide consistent Shariah-compliant products since customer trust highly depends on this capability.

2.4.2.2 Responsiveness

The responsiveness of willing employees involves employee commitment to delivering timely responses while providing complete attention to customers and promoting services as well as handling their queries (Parasuraman et al., 1994). According to Al-Azzam (2015), service delivery speed along with timely responses constitute the definition of responsiveness. Customers need bank staff to show readiness to offer help and deliver quick service under the concept of responsiveness. Prompt action proves essential as it plays a major part in determining customer satisfaction in all banking sectors. Customers place importance on bank staff being available to customers and their competent communication abilities to quickly address customer issues (Ali, 2015; Zouari & Abdelhedi, 2021). Service capabilities such as rapid customer assistance response and quick inquiry resolution together with short waiting times constitute part of the processing speed aspect (Rubogora, 2017). Studies from 1994 indicated that SERVQUAL model included responsiveness as its third most

important dimension (Pakurár et al., 2019). The customer achieves higher satisfaction when employees demonstrate prompt responses to customer inquiries (Siddiqi, 2017).

The improvement of responsiveness at BIMB goes beyond addressing client inquiries by directing efforts to develop services suited to individual customer needs. Employees need to receive training that helps them understand customer needs about Shariah-compliant products and forecast how customers will use these products in order to create lasting client relationships. The organisation delivers swift service along with tailored solutions to demonstrate its dedication to satisfied customers within Islamic banking principles.

2.4.2.3 Assurance

A qualified employee demonstrates assurance by showing trust toward customers alongside proper politeness and knowledgeable competence for building confidence levels (Vencataya et al., 2019). Staff members offer bilingual support to customers apart from their educational level, age or cultural background (Pakurár et al., 2019). The staff attitude combined with workplace behavior together with their ability to deliver welcoming services that maintain confidence and professionalism and respect represent assurance according to Parasuraman et al. (1994). Staff members present respect during service delivery to consumers thereby establishing an indirect promise that their problems will be addressed (Khan & Fasih, 2014). Staff assurance develops through their knowledge combined with service respect and their capability to build trust and customer belief (Rubogora, 2017). When customers trust their staff members their satisfaction increases through better purchasing intentions (Siddiqi, 2017). As per

Ali & Raza (2015) assurance plays a vital role in SERVQUAL model to affect customer satisfaction in every banking sector.

2.4.2.4 Empathy

Vencataya et al. (2019) discovered that empathy involves offering outstanding service by valuing customers through dedicating attention and customers should trust organizations to place priority on them. Consumers' uniqueness results from applying empathetic treatment according to Pakurár et al. (2019). Several research analyses by (Parasuraman et al., 1994) utilized safety and validity with accessibility to measure empathy features of the service quality model. The paper by Al-Azzam (2015) shows that empathy includes staff approachability and sensitivity as well as efforts to understand customer needs. Empathy actions performed by banking staffs generate positive approaches to the banking industry and simultaneously strengthen their firm's financial state (Siddiqi, 2017). The patients accept personnel mistakes because the staff demonstrate empathy toward them (Al-Azzam, 2015). The research demonstrates that empathy strongly impacts service quality and exceeds its ability to develop loyal banking customers (Al-Azzam, 2015).

2.4.2.5 Tangibles

The physical elements which customers encounter when receiving service constitute tangibles. Customers form their judgments about service quality through observing the condition of physical facilities together with equipment and personnel alongside communication materials. Studied evidence reveals that physical elements play an

important role in shaping what customers believe about service quality (Rosalia & Purnawati, 2018). The physical appearance together with building amenities and staff wardrobe and equipment forms part of tangibles in banking institutions according to Vencataya et al. (2019). The physical structures along with operational equipment used for service delivery alongside service statement documentation and credit and debit cards represent tangibles according to Pakurár et al. (2019). Customer satisfaction from banking services depends directly on both physical and immaterial aspects of service provision (Siddiqi, 2017). By incorporating physical as well as intangible aspects into value propositions organizations can achieve improved customer satisfaction and maintain their relationships (Siddiqi, 2017).

The tangibles factors must be given top priority at BIMB. First impressions of customers toward the bank are formed through its well-designed facilities together with modern technological systems implemented at each branch. Multiple past studies prove how positive tangibles elements increase service quality perception which generates better client satisfaction rates (Zouari & Abdelhedi, 2021). Tangibles cues for Islamic banking customers need to contain branding materials that specifically demonstrate their compliance with Shariah principles. The approach is vital for BIMB since it works to build customer trust and satisfaction.

2.5 Gaps in the Literature

The existing literature on service quality and customer satisfaction in Islamic banking highlights several gaps that justify the need for this study. While the SERVQUAL model has been widely applied to assess service quality, its application in Islamic

banking often overlooks the unique challenges of integrating Shariah principles with modern technological advancements, as noted by Anouze et al. (2023). Additionally, studies have inconsistently addressed the impact of reliability and responsiveness on customer satisfaction, with some findings suggesting these factors may be basic expectations rather than differentiators (Ghamry & Shamma, 2022). Empathy, a critical dimension in fostering trust, remains underexplored in the context of Islamic banking, particularly in addressing the diverse needs of Muslim and non-Muslim customers (Al-Azzam, 2021). Furthermore, the role of tangibles, especially in digital platforms, has not been adequately examined despite its growing importance in shaping customer perceptions (Zouari & Abdelhedi, 2021). Regional-specific studies, particularly in Malaysia, are limited, as most research focuses on Western or Middle Eastern markets, leaving a gap in understanding local cultural and consumer behavior dynamics (Fontaine & Richardson, 2005). These gaps highlight the necessity for localized research to provide actionable insights for Bank Islam Malaysia Berhad (BIMB) and other Islamic banks aiming to enhance customer satisfaction while adhering to ethical and Shariah-compliant practices.

2.6 Underpinning Theory

2.6.1 Service Quality Theory (SQT)

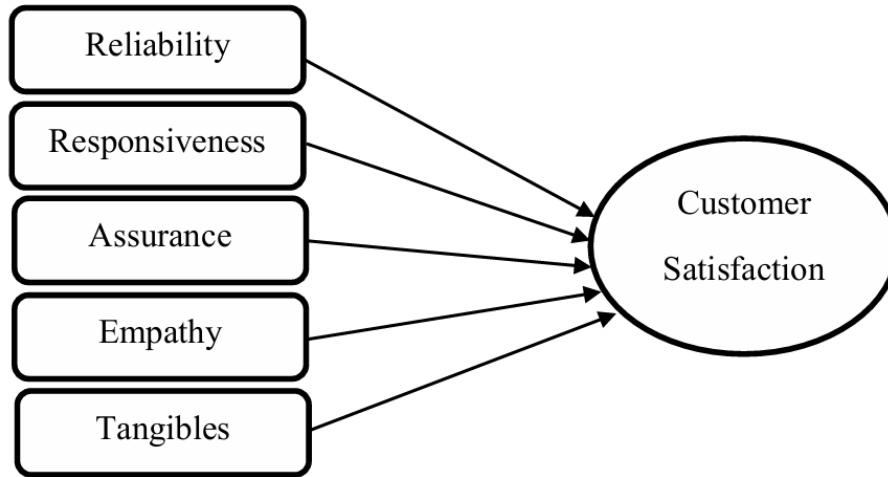


Figure 2. 1

Service Quality Theory (SQT) (Source: Parasuraman, Zeithaml, and Berry (1988))

Multiple theories explore the explanation of service quality. The SERVQUAL model functions extensively as a service quality assessment tool for academic researchers who operate in numerous locations especially financial and banking institutions globally (Pakurár et al., 2019). The SERVQUAL model functions as an appropriate measurement instrument for capturing banking sector customer satisfaction with service quality (Annamalah et al., 2013). The measurement methods of service quality utilized by Parasuraman et al. (1988), Annamalah et al. (2013), Al-Azzam et al. (2015) and Siddiqi et al. (2017) rely on the SERVQUAL model.

The SERVQUAL model remains the most frequently utilized model for measuring service quality because it offers technological tools for measuring service quality

according to Siddiqi et al. (2017). This research applies the SERVQUAL model dimensions as the measurement tool for determining banking sector customer satisfaction in Malaysia. The five dimensions of SERVQUAL Model (tangibles, reliability, responsiveness, assurance, empathy) impact how customers perceive service quality according to Molaei et al. (2013), Siddiqi et al. (2017), Pakurár et al. (2019) and (Boonlertvanich, 2019).

2.7 Summary of the Chapter

Chapter Two reviews past studies on service quality and customer satisfaction in Islamic banking, focusing on Bank Islam Malaysia Berhad (BIMB). It highlights the five dimensions of service quality that are tangibles, reliability, responsiveness, assurance, and empathy for their impact on customer satisfaction. While assurance, empathy, and tangibles significantly influence satisfaction, reliability and responsiveness are often seen as basic expectations rather than differentiators. The chapter also identifies gaps in the literature, such as the limited focus on Islamic banking-specific challenges, inconsistent findings on reliability and responsiveness, and the underexplored role of empathy and tangibles in digital banking. These gaps emphasize the need for localized research to address the unique dynamics of Islamic banking in Malaysia and provide actionable insights for improving customer satisfaction at BIMB.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This part explain about service quality with customer satisfaction levels at Bank Islam Malaysia Berhad through data interpretation. The main research inquiry seeks to establish key factors of service quality which influence customer satisfaction levels among service quality users in Kedah, Perlis and Penang Malaysia. This section describes the research techniques alongside details about selecting samples and execution of data analysis instruments used by the study. Using a structured questionnaire structured according to SERVQUAL will allow the collection of data from many respondents to improve the research reliability and validity. The occasion also focuses on the use of primary data collected through survey to obtain insight and how that understanding usage and adoption of service quality among customers.

3.2 Research Philosophy

The research philosophy underpinning this study is based on a positivist paradigm, which emphasizes the use of empirical evidence and objective measurements to understand phenomena. Positivism aligns with the quantitative nature of this research, as it seeks to identify relationships between service quality dimensions (independent variables) and customer satisfaction (dependent variable) in a systematic and measurable way. This approach is particularly suited for testing hypotheses and drawing generalizable conclusions, which are central objectives of this study.

In the context of this research, the positivist philosophy assumes that reality is observable, measurable, and can be explained through cause-and-effect relationships. The study adopts a deductive reasoning approach, where established theories such as Parasuraman, Zeithaml, and Berry's (1988) SERVQUAL model are used to formulate hypotheses and guide the investigation. By employing structured questionnaires and statistical analysis techniques like Partial Least Squares Structural Equation Modeling (PLS-SEM), the research aims to quantify the impact of service quality dimensions on customer satisfaction at Bank Islam Malaysia Berhad (BIMB).

The choice of positivism reflects the need for reliability and validity in measuring complex constructs such as assurance, empathy, tangibles, reliability, and responsiveness. This philosophy ensures that the findings are grounded in data collected from respondents, allowing for robust and replicable results. Furthermore, the positivist approach supports the development of actionable insights for BIMB, enabling the organization to make informed decisions to enhance customer satisfaction while adhering to Shariah principles. By adopting this research philosophy, the study contributes to the body of knowledge in Islamic banking by providing empirical evidence that bridges theoretical frameworks and practical applications. It also underscores the importance of integrating modern technological advancements with ethical practices, ensuring sustainable growth in the competitive banking sector.

3.3 Research Framework

Independent Variable

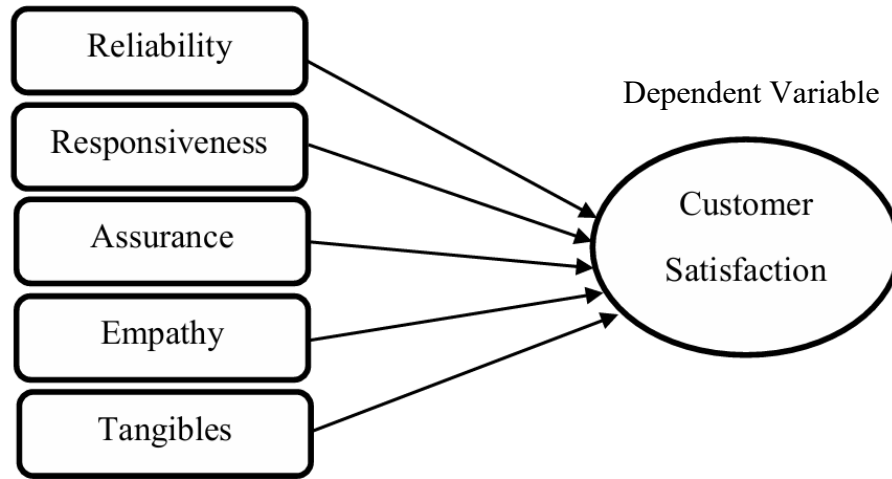


Figure 3. 1

Research Framework

To analyse the expectation and service quality, Parasuraman, Zeithaml & Berry (1988) has use this model and they used 22 item scale to do so which is called SERVQUAL model. In this theory, purpose is to assess the service quality and for this reason the SERVQUAL model is going to be used. The five dimensions of the SERVQUAL framework are; Reliability, Responsiveness, Assurance, Empathy, and last is Tangibles (Shaban, 2014). Hospitality reflects the external attribute surrounding the service; for instance the outward appearance of a physical structure. Reliability shows how effective service providers are in providing service that is correct all the time to the consumers. Responsiveness refers to the readiness of a firm, to provide quick and beneficial service to address the customers' difficulties. Assurance tells how the company's employees communicate the mastery of their professional competencies and politeness to strengthen the customer's faith. Empathy means that firm has

intention or capacity to provide differentiated service to each customer (Shaban, 2014). Because of the expectation placed on the perceived SERVQUAL model laid the notion that service quality did have an impact on the customer satisfaction on mobile banking.

Muslim and Zaidi (2008) for investigating service quality or servqual and its have affect of to customer satisfaction in Islamic banking and Malaysia. SERVQUAL model has been adopted in many research to measure quality of service. In addition to the Islamic compliance factor, this paradigm starts with the SERVQUAL six dimensions: concrete, availability, concerned, friendly, and dependable. The respondents include the customers who have interacted with the bank counter service whether a Muslim or a non-Muslim. Ideally, they should be working with either the parallel banking system or the pure Islamic banking. Hence it was concluded that the extent of value and service by the banking institutions met the various needs of the Islamic banking clients. Further, the study confirmed that Muslim customers were comparatively more sensitive to the Islamic commercial conformity than non-Muslim customers. Consequently, there was a positive nature of the relationship level of customer satisfaction.

3.4 Hypotheses Development

The hypotheses in this study is guided by a comprehensive review of past research, which reveals both consistent findings and contradictory evidence regarding the relationship between service quality dimensions and customer satisfaction in the banking sector, particularly within Islamic banking. For instance, while studies such as Ghamry and Shamma (2022) emphasize the critical role of reliability and

responsiveness in building trust and loyalty, other researchers like Høst and Knierik (2004) argue that these factors may be considered basic expectations rather than differentiators in highly competitive markets. Similarly, empathy and assurance are widely recognized as significant drivers of customer satisfaction in Islamic banking (Al-Azzam, 2021; Kumar & Singh, 2022), yet some studies suggest that their impact may vary depending on cultural and consumer behavior differences (Fontaine & Richardson, 2005). These contradictions highlight the need to empirically test the relationships in the specific context of Bank Islam Malaysia Berhad (BIMB).

Based on the gaps identified in the literature, five hypotheses were developed to examine the impact of tangibles, reliability, responsiveness, assurance, and empathy on customer satisfaction. To ensure the validity and reliability of the measurement instruments, the questionnaire was validated through expert reviews. A panel of three experts in Islamic banking and service quality management reviewed the questionnaire for content validity, ensuring that the items accurately reflected the theoretical constructs and were relevant to the Malaysian context. Their feedback was incorporated into the final version of the questionnaire, enhancing its robustness and suitability for data collection. This rigorous validation process strengthens the credibility of the study and ensures that the hypotheses are tested using reliable and valid measures. The following hypotheses have been developed based on the wide knowledge and critical analysis under literature review.

H1: Reliability has a significant relationship with customer satisfaction.

H2: Responsiveness has a significant relationship with customer satisfaction.

H3: Assurance has a significant relationship with customer satisfaction.

H4: Empathy has a significant relationship with customer satisfaction.

H5: Tangibles has a significant relationship with customer satisfaction.

3.5 Research Design

The research employed quantitative methods for analysis together with hypothesis testing and response to all research inquiries. The study depended on questioners to gather data from chosen participant groups. The research determines quantitative method as more suitable for investigation purposes compared to qualitative method.

3.6 Measurement of Variable/Instrument

3.6.1 Research Instrument

The study used questionnaire-based surveys to acquire data points from research participants. The researcher delivered questionnaires to Penang, Kedah, Perlis based existing bank customers. The questionnaire enables the collection of large amounts of data from multiple people within a brief time period at minimal cost and provides easy analytical options. The instrument followed the research framework with questions that researchers established in their study. The study has executed an evaluation procedure to analyze converted and abstracted data points. A back-to-back translation adaptation was used for the questionnaire transformation to English because it increased reliability and validity throughout the research findings. The survey forms

include brief explanations of this research aims for each section to help the respondents better understand the questions.

3.6.2 Questionnaire Development

The survey questions draw their content from past examinations of service quality elements which influence customer satisfaction (Kant & Jaiswal, 2017). The researcher developed some question in the questionnaire from existing literature.

3.6.3 Questionnaire Design

The researcher has chosen English as the questionnaire medium because English functions as an international language. There are three sections in this questionnaire which includes Section A and B. Section A contains general demographic information about banking customers to collect research-related data such as age and income range as well as educational attainment and personal characteristics. Multiple backgrounds from Northern of Malaysia brought different genders of customers to visit the banking service. The research data stems from a contemporary population sampling that contains multiple demographic groups. The questionnaires in Section B contain questions about the reliability and responsiveness, assurance, empathy, and tangibles along with queries on customer satisfaction in Bank Islam Malaysia Berhad.

Table 3. 1

Summary of Research Questionnaire

Items (Service Quality Dimensions)	References
------------------------------------	------------

Dimension 1 : Tangibles 1) The bank premises is visually appealing (infrastructure, building etc) 2) The bank has technological up-to-date equipment's 3) The bank employees appear professional with smart dress. 4) The bank marketing materials are clear while providing complete information.	(Rishi Kant, 2017), (Raja Irfan Sabir, 2014)
Dimension 2 : Reliability 1) The bank providing the services as promised time limit. 2) The bank provides accurate services as promises. 3) The bank employees are dependable in resolving my complaints 4) The bank records along with transactions performed are up-to- date with no error.	(Rishi Kant, 2017), (Rafikul Islam, 2020)
Dimension 3 : Responsiveness 1) The bank employees are willing to help their customers. 2) The employees are prompt in service delivery. 3) The bank has an effective complaint handling process. 4) The bank employees are well trained to deliver as well as solve queries.	(Rishi Kant, 2017) (Raja Irfan Sabir, 2014)
Dimension 4 : Assurance 1) The bank employees are knowledgeable with the required skills regarding the bank's products as well as its services 2) I am satisfied with the security of the bank. 3) The bank employees are very much courteous while interacting with the customers 4) The transactions and personal information are kept confidential by the bank.	(Rishi Kant, 2017)
Dimension 5 : Empathy 1) The bank employees give attention individually to every customer. 2) The bank has strong customer relationship team 3) The bank focuses on the requirement of an individual customer. 4) The bank's operating hours are convenient to me	(Rishi Kant, 2017)
Customer Satisfaction 1) I am satisfied to be associated with the bank. 2) I am satisfied with banking services 3) I am satisfied with banking operations 4) I am satisfied to do transaction with the bank.	Rishi Kant, 2017) (Rafikul Islam, 2020)

3.6.4 Data Scale Measurement

Each part of the questionnaire consists of three sections designated as A, B and C containing five-point Likert Scale close-ended questions for respondent feedback. Following is the example: The five-point Likert Scale exists as a standardized measurement tool in Table 3.2 for every closed-ended question throughout the entire research document.

Table 3. 2

Likert Scale

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
(1)	(2)	(3)	(4)	(5)

The first part of Section A collected information about respondents' demographics including personal characteristics alongside their age and educational level. Customers existed as both genders with various social histories who reached the service providers from urban areas as well as rural locations. The acquired data by the researcher stemmed from multiple segments of the population surveyed during one single time period. Section B contains survey questions that question subjects about service quality dimensions (reliability, responsiveness, assurance, empathy and tangibles) as factors influencing customer satisfaction levels in Bank Islam Malaysia Berhad.

3.7 Data Collection Method

3.7.1 Primary Data

The researchers employed primary sources to acquire data that researchers collected directly from Bank customers. The authors Cooper & Schindler (2014) state that questionnaires simplify administration while offering quick analysis and expense reduction. The questionnaires contained closed-ended and open-ended types of inquiries. All the questions were of the closed-ended style. The research instruments derived from Kant & Jaiswal (2017). The researchers adjusted the questionnaire to match the research aims of this particular study. The researchers used a five-point Linkert scale for calculating means according to Sekaran & Bougie (2009). The researcher enacted semi-structured questionnaires to collect the data. The research team explained all study aims thoroughly to interview respondents before starting the questioning process.

3.7.2 Secondary Data

The researchers extracted information through pre-existing sources including government publications along with journals and published or unpublished materials and books as well as websites and the internet. Most of the study material and information originated from secondary data sources.

3.8 Sampling

The data collection method will preserve portions of population members through sampling procedures. The research sample for this study originates from commercial bank branches included in the selected list in Northern of Malaysia. A random selection of customer samples will be conducted among every visitor that enters the bank facility. In their research about banking sector service quality in India Ritu et al. (2017) employed 250 respondents for evaluation purposes. This investigation employed the choice of 300 commercial bank respondents as its sample size when the researchers conducted their study in Northern of Malaysia. According to Yee et al. (2011) it is acceptable to utilize the identified sample size rules in most studies when the minimum number exceeds 30 respondents but remains below 500 respondents. Sampling applies perfectly well to this research because the population remains too extensive and unpredictable in numbers. The sample which represents the population was established at this stage.

3.9 Techniques of Data Analysis

3.9.1 Descriptive Analysis

Descriptive analysis is used to summarize and describe the demographic characteristics of the respondents and provide an overview of the dataset. This step involves analyzing the frequency distribution, percentages, means, and standard deviations of the variables. The demographic profile includes gender, age, education level, income, employment status, types of services utilized, and duration as customers of BIMB.

For instance, the gender distribution, age groups, and educational backgrounds of the respondents are analyzed to ensure that the sample represents a diverse population. Additionally, descriptive statistics are used to assess the respondents' income levels, employment statuses, and frequency of interaction with BIMB services. These insights help contextualize the findings and ensure that the data collected reflects the characteristics of the target population.

Descriptive analysis also helps identify patterns and trends in the dataset, offering valuable context for interpreting the results of the multivariate analysis. By summarizing the data, this step lays the foundation for more advanced statistical evaluations and ensures the reliability of subsequent analyses.

3.9.2 Multivariate Analysis

Multivariate analysis is conducted to examine the relationships between the independent variables (service quality dimensions) and the dependent variable (customer satisfaction). This approach allows for a deeper exploration of the complex interplay between assurance, empathy, tangibles, reliability, and responsiveness in influencing customer satisfaction at BIMB.

The study utilizes Partial Least Squares Structural Equation Modeling (PLS-SEM) as the primary multivariate analysis technique. PLS-SEM is particularly suited for predictive research and was chosen due to its ability to handle non-normal data distributions and small-to-medium sample sizes.

The study performed a preliminary analysis using PLS-SEM for the assessment of both structural and measurement model (Hair et al., 2016). The research utilized path modeling before implementing bootstrapping analysis according to Wong (2013). A total of 5,000 resamples were employed for computing t-values and standard error of estimate according to Chin et al. (2003). Since PLS performs precise estimation of mediation based on error correction it helps validate theoretical frameworks and lowers estimated relationship strength (Helm, Eggert, & Gamefeld, 2010). The research utilized Structural Equation Modeling (SEM) as the statistical analytic method. The researchers chose SEM as an analysis method because it provides methods to verify and demonstrate variable dependencies (Bollen, 1989). Second-generation statistical marketing research uses SEM techniques where researchers extensively deploy them as data analysis instruments (Babin et al., 2008). SEM techniques contain the factor analysis together with path analysis and multiple concepts derived from the general linear model. This technique stands as the optimal method since it helps researchers detect latent variables while efficiently removing inappropriate variables from their proposed research model (Bollen, 1989).

PLS-SEM has gained rising status among researchers because of modern developments and utilization approaches (Rigdon, 2014). Its repeated implementation in different research fields (Peng & Lai, 2012). The combination of factor analysis with linear regression in Partial Least Square depends on the most basic distribution assumptions (Gefen et al., 2000). The research conditions determine PLS as an appropriate substitute when using SEM.

PLS makes an excellent fit for SEM analysis in applied research when distribution of data is non-normal but sample size remains small according to Wong (2013). Path modeling starts with 100 to 200 respondent data according to studies that have been done previously (Hoyle, 1995). The structural equation modelling operates under two patterns known as formative and reflective. The reflective indicators require a strong relationship between them and interchangeability together with careful evaluation of reliability and validity (Hair et al., 2012). The PLS modeling system includes three areas known as inner relations along with outer relations and weighted relations (Jacob et al., 2004).

The use of PLS methodology provides superior prediction abilities for studies that deal with sizable samples (Hair et al., 2014). Using PLS-SEM techniques was deemed appropriate for better prediction, especially given that the mediating role of corporate image on the association of trust, physical environment, social network interaction, relationship through solving customer problems, customer satisfaction, and corporate image is being explored for the first time (Hair et al., 2014). The software application Smart PLS stands out as a tool to perform PLS-SEM calculations. Ringle et al. (2005) developed the software which has entered widespread academic use since its inception in 2005 because researchers find it usable and beneficial for detailed reporting. The assessment process requires missing values treatment in Smart PLS because this program reacts strongly to missing data.

3.10 Summary of Chapter

This chapter delivers an extensive plan regarding the research procedures used in the study execution. Hypothesis developments together with the theoretical framework helped determine the research methodology selection process. The preceding part explained both the selected measurement tools and questionnaires' role in achieving the present study's research goals.



CHAPTER FOUR

RESULTS AND DISCUSSIONS

4.1 Introduction

The research findings of this survey receive analysis through Smart PLS path modelling (version 4.1.0.9). The examination of measurement constructs occurred through internal consistency level and convergent validity and discriminant validity using version 4.1.0.9 of Smart PLS. The structural model results focus on path coefficients significance and R-squared values as well as effect sizes and the predictive value of the complete study model. The examination results display the mediation effect of corporate image from the tested structural model.

4.2 Demographic Description of the Respondents

Under current research the respondent demographic analysis encompasses seven demographic items. Seven items make up the demographics that include gender, age, education, income, employment status, and customer timeline variables for total years and daily/dealing frequency.

4.2.1 Gender

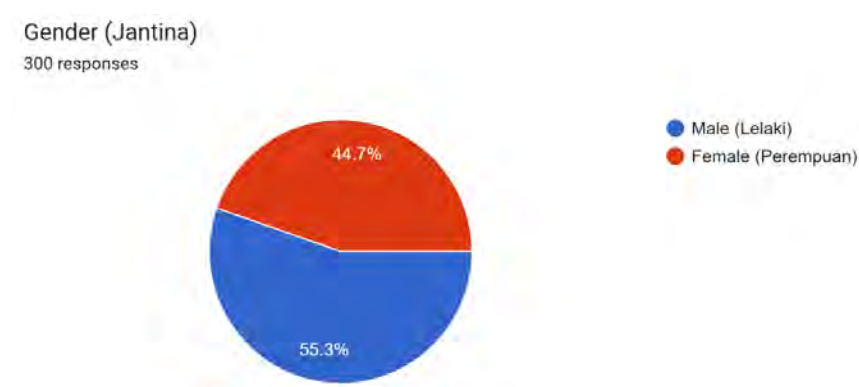


Figure 4. 1

Respondent Gender

The Figure 4.1 show that the research survey data demonstrates the distribution of gender participants. Half of the participants selected for the study are male respondents comprising 44.7 percent of the demographic while the other 55.3 percent are female participants.

4.2.2 Age

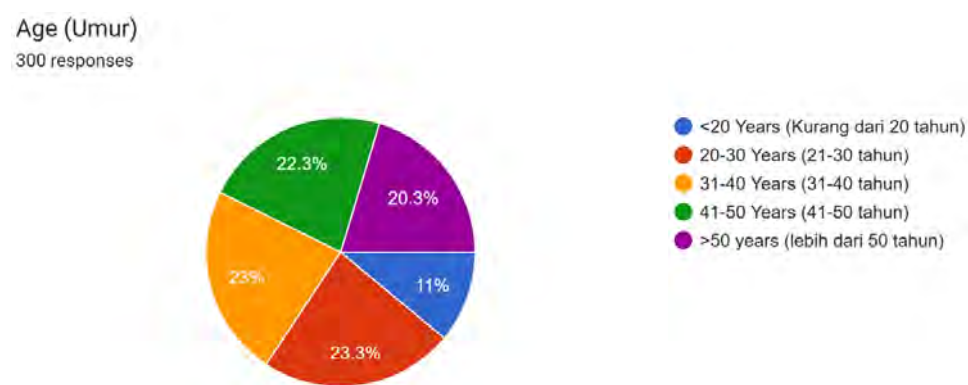


Figure 4. 2

Respondent Age

The data illustration related to respondent age can be observed in Figure 4.2. The research data revealed that participants distributed similarly among three main age brackets: 20-30 years old and 31-40 years old along with 41-50 years old obtained scores of 23.3%, 23%, and 22.3%. The research included respondents distributed between ages 20 and above 50 at 20.3%, yet 11% belonged to those younger than 20. The data distribution demonstrates that the research included diverse age groups where middle-aged participants formed the most prominent section.

4.2.3 Education

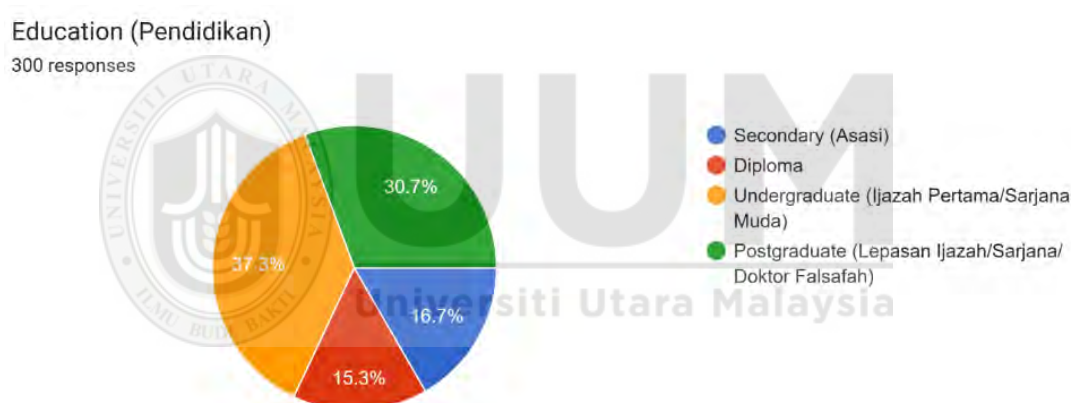


Figure 4. 3

Respondent Education

The Figure 4.3 details information about respondent educational status. The data clearly indicates undergraduates represent 37.3% of the participants and students who finished secondary level or obtained only a secondary-level education occupy 16.7% of the sample group. Among the surveyed individuals 30.7% hold post-graduate degrees alongside diploma holders and post-graduates making up 15.3% of respondents.

4.2.4 Income

Income (Pendapatan bulanan dalam RM)
300 responses

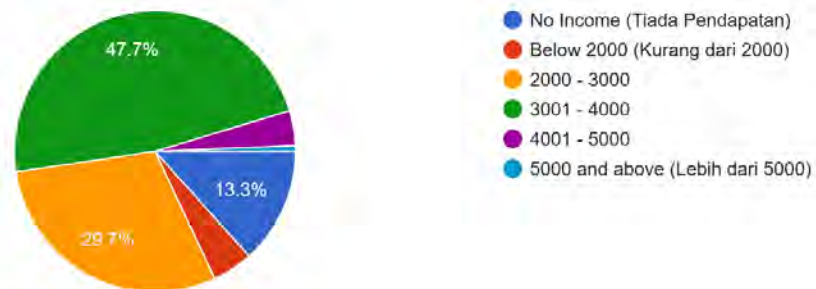


Figure 4. 4

Respondent Income

The findings about monthly income can be found in Figure 4.4. Respondents in the income bracket between RM 3001 and RM 4000 represented 47.7% of the total surveyed participants who were the most numerous group. A total of 29.7% of respondents received income between RM 2000 - RM 3000 and 13.3% had zero income. A total of 5.7% of respondents received incomes below RM 2000 while 2.3% of the participants earned between RM 4001 – RM 5000.

4.2.5 Employment

Employment (Pekerjaan)
300 responses

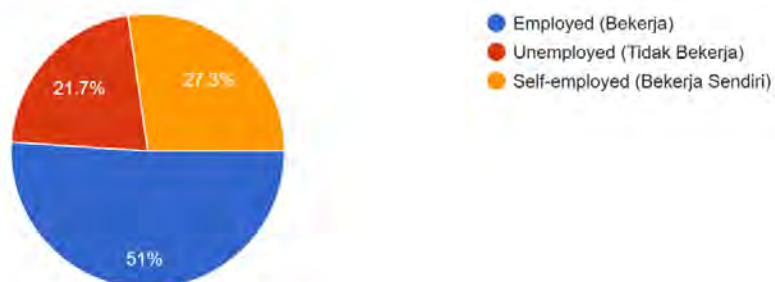


Figure 4. 5

Respondent Employment

The employment data in Figure 4.5 demonstrates two dominant groups compose the respondent sample. 51 % of the respondents work for an employer alongside 27.3 % of respondents who operate their own business. The group of respondents who are unemployed makes up 21.7 % of the entire participant number.

4.2.6 Types of Service Obtained at Bank Islam Malaysia Berhad

Types of service obtained at Bank Islam Malaysia Berhad (Jenis perkhidmatan yang diperolehi di bank Islam)
300 responses

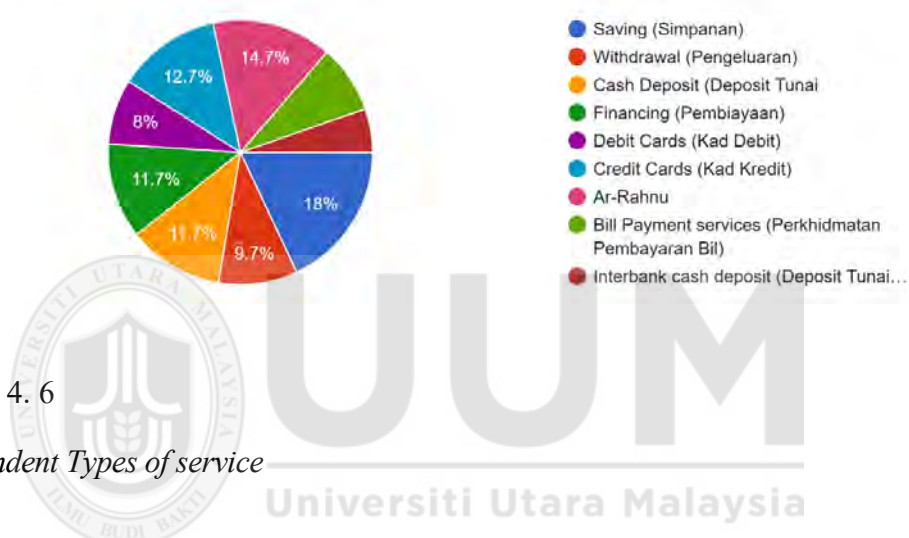


Figure 4. 6

Respondent Types of service

The breakdown of services utilized at Bank Islam Malaysia Berhad shows in Figure 4.6. Saving services are used most frequently by customers who made up 18% of the total respondents. After saving services, the usage of Ar-Rahnu and credit cards stand at 14.7% respectively while credit cards follow at 12.7%. The services of Cash Deposit and Financing registered the same 11.7% share among respondents. The Withdrawal service represents 9.7% of users although Bill Payment stands at 8.3% and Debit Cards use reaches 8%. The smallest section of services consisted of interbank cash deposits which amounted to 5.3 % among all the services. Basic banking save functions comprise the majority among services utilized by Bank Islam Malaysia Berhad customers according to frequency.

4.2.7 Years as Customer in the Bank

How long have you been customer to Bank Islam Malaysia Berhad? (Berapa lama anda menjadi pelanggan Bank Islam Malaysia Berhad?)

300 responses

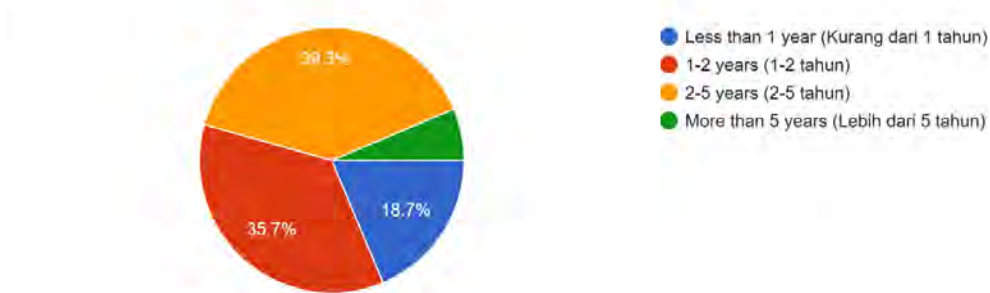


Figure 4. 7

Respondent as Customer in The Bank

The data regarding Bank Islam Malaysia Berhad participant involvement is displayed in Figure 4.7. The population of Bank Islam Malaysia Berhad customers who have maintained their accounts for 2-5 years constitutes 39.3% of the total. Among the respondents, 35.7% have maintained their Bank Islam Malaysia Berhad account between 1-2 years and 18.7% have a customer tenure of less than one year. The smallest segment within this customer engagement category consists of Bank Islam Malaysia Berhad customers who have been with the institution for over 5 years at 6.3%.

4.2.8 Frequency Dealing with Service of the Bank Islam Malaysia Berhad

How frequent do you deal with services offered by the Bank Islam Malaysia Berhad? (Berapa kerap anda berurusan dengan perkhidmatan yang ditawarkan oleh Bank Islam Malaysia Berhad?)

300 responses

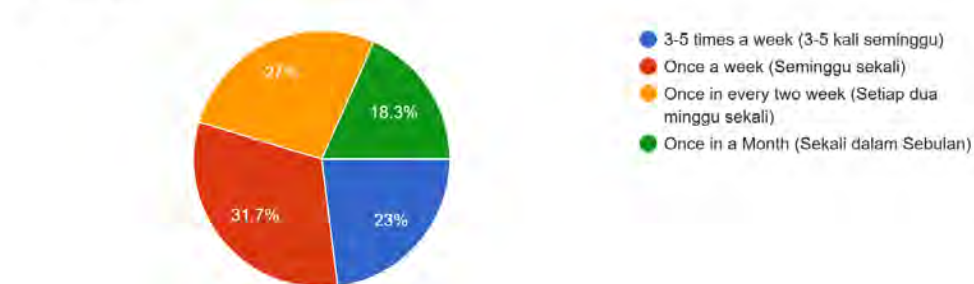


Figure 4. 8

Respondent Frequency Dealing with Service

The data regarding customer bank interaction frequency is displayed through Figure 4.8. According to the results 31.7% of customers choose weekly visits whereas 23% select three to five weekly visits. The customer population includes no one who deals with the bank less frequently than once per fortnight or monthly.

4.3 Assessment of PLS-SEM Path Model Results

As stated in the previous chapter, in this study, the questionnaire data obtained from respondents will be measured for their constructs and relationships between variables using the multivariate Structural Equation Modeling (SEM)-PLS technique, which is processed with the support of the SmartPLS version 4.1.0.9 software application. The stage begins with tabulating the respondent's data into an excel program file, which is then converted into csv (comma separated values) or text format. The converted data will be input data for the SmartPLS program, which has previously created a model construct between latent variables, as expected in this study.

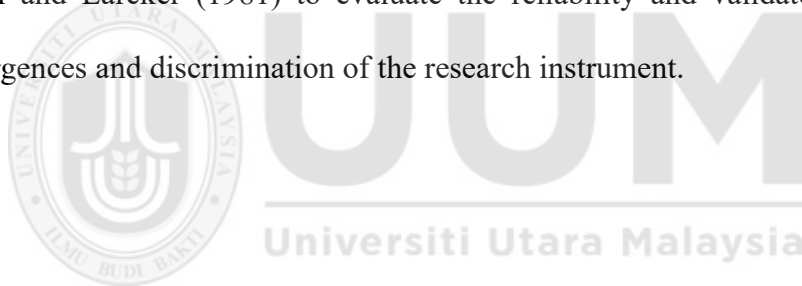
According to Henseler and Sarstedt (2013) goodness of fit index does not function as an appropriate validation method for research models. The researchers considered the goodness of fit model inappropriate because it fails to distinguish valid from invalid model interpretations (Hair et al., 2013). The present research followed Henseler et al., (2009) recommendation for PLS-SEM path evaluation through implementing the two-step PLS assessment procedure.

These two steps are:

1. Outer (Measurement) Model Assessment and
2. Inner (Structural) Model Assessment (Hair, Ringle, & Sarstedt, 2014).

4.4 Outer (Measurement) Model Assessment

The theoretical model received its estimation through Smart PLS-SEM analysis (Ringle, Wende, & Will, 2010). PLS performs the initial assessment of the outer model which corresponds to the measurement model. The research uses reliability tests and validity measures to determine the accuracy of instrument data (Ramayah et al., 2011). The reliability test shows a measurement instrument's ability to accurately measure its intended concept but the validity test reveals the instrument's capability to measure the designated concept correctly (Sekaran & Bougie, 2010). The evaluation of construct internal consistency as well as individual item reliability and construct validity takes place during outer model assessment. This research utilizes PLS approaches from Fornell and Larcker (1981) to evaluate the reliability and validate both construct convergences and discrimination of the research instrument.



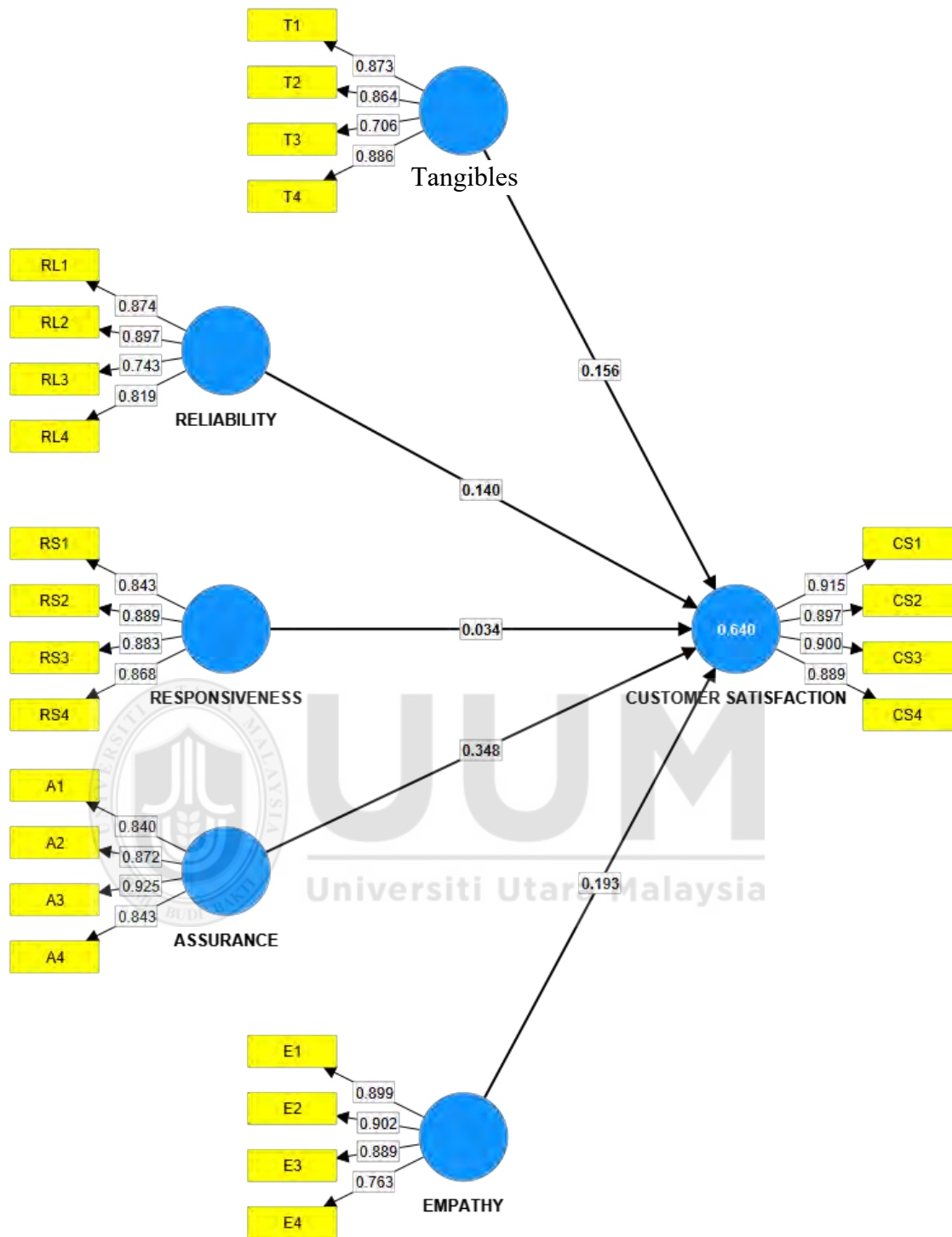


Figure 4. 9

The Outer Measurement Model

When evaluating internal consistency reliability during the measurement model assessment researchers should check individual item reliability and both content

validity and convergent validity and discriminant validity (Hair et al., 2011; 2014). The assessment of the measurement model follows two criteria where individual items need outer loadings greater than 0.5 and AVE values exceed 0.5 according to Vinzi et al. (2010). Moreover, the research eliminates items with outer loadings below 0.5 with the remaining items (Hair et al., 2013; 2014).

The evaluation of measurement model (outer model) occurred through Confirmatory Factor Analysis (CFA) by assessing items/indicators relationships with their underlying constructs within PLS-SEM software named Smart PLS 4 version 4.1.0.9 that Ringle, Wende, and Will (2005) developed (Henseler, Hubona, & Ray, 2017). The sample size necessary to carry out CFA analysis per Hair et al. (2010) is 150 while the current research used 300 participants.



4.4.1 Convergent Validity

The measurement quality of intended latent construct depends on how strongly its items link with assessments of parallel constructs as per Henseler, Ringle, and Sarstedt (2015). The Average Variance Extracted (VE) and composite reliability (CR) measurement for variable assessment follows the recommendation of Hair et al. (2014). The AVE measurement of each variable should reach 0.500 and composite reliability must exceed 0.700 to achieve sufficient convergent validity as per Chin (2010).

Table 4. 1

Convergent Validity

Constructs	Item	Loadings	Cronbach's Alpha	rho_A	Composite Reliability	AVE
Assurance	A1	0.840	0.893	0.897	0.926	0.758
	A2	0.872				
	A3	0.925				
	A4	0.843				
Customer Satisfaction	CS1	0.915	0.922	0.924	0.945	0.810
	CS2	0.897				
	CS3	0.900				
	CS4	0.889				
Empathy	E1	0.899	0.887	0.896	0.922	0.749
	E2	0.902				
	E3	0.889				
	E4	0.763				
Reliability	RL1	0.874	0.854	0.867	0.902	0.698
	RL2	0.897				
	RL3	0.743				
	RL4	0.819				
Responsiveness	RS1	0.843	0.895	0.907	0.926	0.759
	RS2	0.889				
	RS3	0.883				
	RS4	0.868				
Tangibles	T1	0.873	0.854	0.879	0.902	0.698
	T2	0.864				
	T3	0.706				
	T4	0.886				

The values in Table 4.1 according to Lee and Che (2013) demonstrate that individual constructs maintained high loadings above 0.500 and composite reliability exceeded 0.700 thus confirming adequate convergent validity. An acceptable AVE measurement reaches 0.5 and composite reliability stands at 0.7 (Memon & Rahman, 2014) as per the rule of thumb.

4.4.2 Discriminant Validity

The discriminant validity measure indicates how separate latent constructs differ from each other (Duarte & Raposo, 2010). A discriminant validity assessment through AVE values showed that latent variable correlations remained under the square roots of AVE (Fornell & Larcker, 1981). The research used external consistency to check discriminant validity through AVE value assessment of all latent variables shown in table 4.2.

Table 4. 2

Discriminant Validity

	Assurance	Customer Satisfaction	Empathy	Reliability	Responsiveness	Tangibles
Assurance	0.871					
Customer Satisfaction	0.757	0.900				
Empathy	0.818	0.739	0.865			
Reliability	0.792	0.728	0.822	0.835		
Responsiveness	0.786	0.696	0.847	0.797	0.871	
Tangibles	0.729	0.693	0.752	0.811	0.729	0.836

The assessment of discriminant validity depends on the AVE scoring above 0.50 according to Fornell and Larcker (1981). A test of discriminant validity requires that the square root of the AVE exceeds all the latent constructs' correlation (Fornell & Larcker, 1981).

4.4.3 Internal Consistency Reliability

According to Henseler, Hubona and Ray (2016) the internal consistency reliability shows how well individual items from a specific (sub) scale measure a single concept. Studies within organizational research often employ Cronbach's alpha coefficient together with composite reliability coefficient for determining the internal reliability of their measurement instruments following Peterson and Kim (2013). The study used composite reliability coefficient as the measurement method for assessing the internal consistency reliability of its adopted measures according to Henseler, Ringle, & Sarstedt (2015). The composite reliability coefficient proves to be less biased than the Cronbach's alpha coefficient when estimating reliability since Cronbach's alpha fails to take into account actual item loadings to evaluate construct contributions (Gotz, Liehr-Gobbers, & Krafft, 2010) as shown in table 4.1.

4.5 Inner (Structural) Model Assessment

Evaluation of the inner model starts with bootstrapping calculation execution that leads into path coefficient analysis together with R-square and total effects assessment.

4.5.1 Bootstrapping

Bootstrapping is a statistical resampling technique used to estimate the accuracy and significance of the relationships between variables in a structural equation model (SEM). It is particularly valuable in Partial Least Squares Structural Equation Modeling (PLS-SEM), as it does not assume a specific distribution of the data, making it robust for small sample sizes or non-normal data distributions. The t-statistic value

of the valid model construct emerges from the results of bootstrapping tests during execution. Figure 4.10 demonstrates the results from the bootstrapping test performed on the examined model.

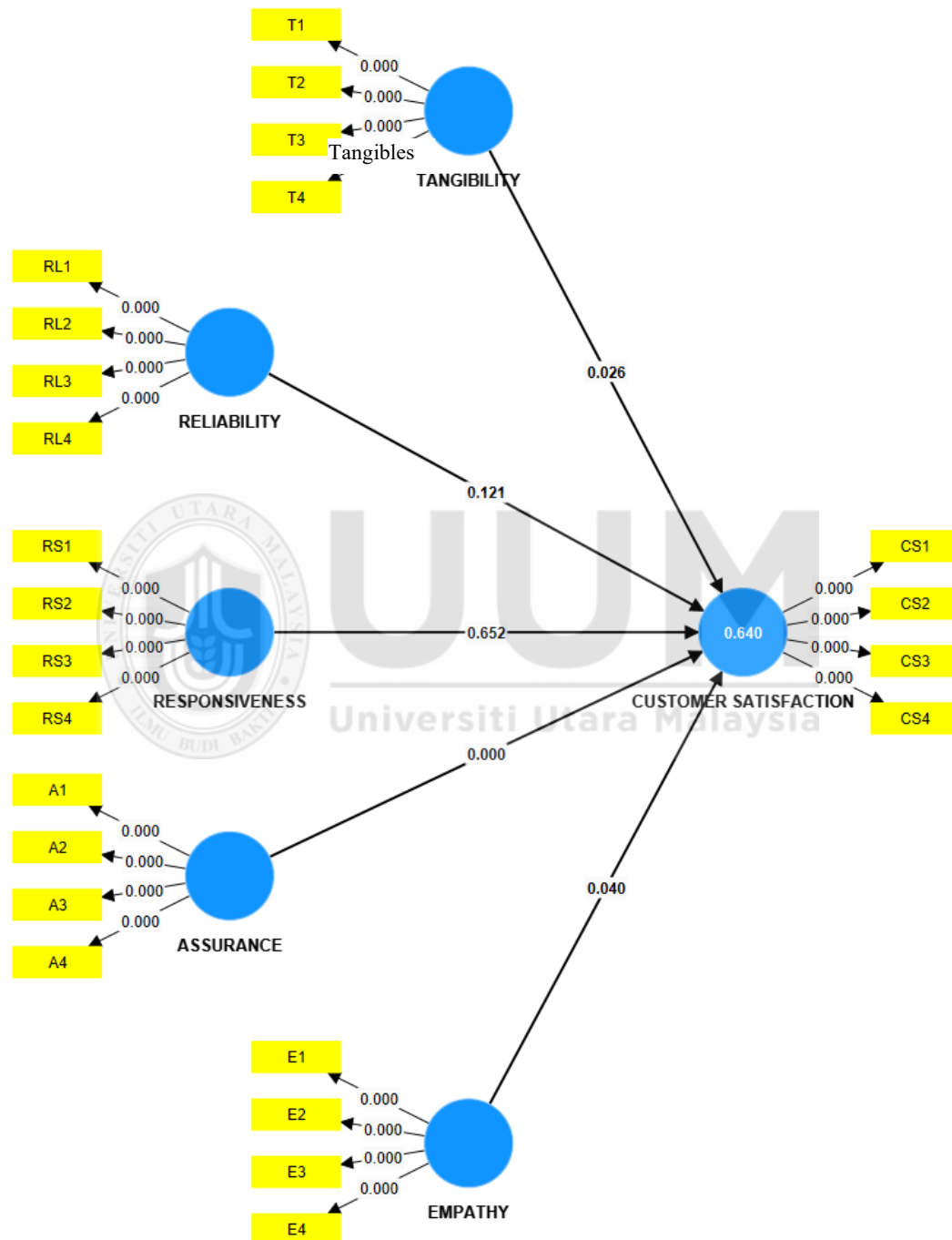


Figure 4. 10

Output Bootstrapping

4.5.2 Path Coefficient

The research investigates the hypothesis through path coefficient results that produce value outcomes. The significances of construct interrelationships emerge through the analysis of parameter coefficient values alongside the t-statistic (t-count) values from the output. The P Values together with T Statistics in the inner model received extensive analysis to confirm or deny the hypotheses (Ghozali, 2015). The hypothesis testing process operates in two directions according to the specified $\alpha = 5\%$ level and 1.96 value on the T-table under the following evaluation criteria:

- a) The hypothesis will be accepted if T-statistic exceeds 1.96.
- b) The hypothesis gets rejected when the computed T-statistic value remains under 1.96.

The results of the path coefficients calculation can be seen in the matrix in Table 4.3 as follows.

Table 4. 3
Path Coefficients

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Assurance -> Customer Satisfaction	0.348	0.349	0.076	4.550	0.000
Empathy -> Customer Satisfaction	0.193	0.191	0.094	2.057	0.040
Reliability -> Customer Satisfaction	0.140	0.139	0.091	1.550	0.121
Responsiveness -> Customer Satisfaction	0.034	0.037	0.075	0.450	0.652
Tangibles -> Customer Satisfaction	0.156	0.155	0.070	2.225	0.026

Based on table 4.3 the relationship between variables that influence the hypothesis can be concluded based on the values (in the green box) as follows:

- 1) The relationship between the Reliability variable and Customer Satisfaction has a path coefficient value of 0.140, and a T-statistic value of 1.550 (less than the T-table of 1.96). From these results, it can be concluded that the relationship between Reliability and Customer Satisfaction is not significant. This means that the hypothesis 1 (H1) is rejected.
- 2) The relationship between the Responsiveness variable and Customer Satisfaction has a path coefficient value of 0.034, and a T-statistic value of 0.450 (less than the T-table of 1.96). So, it can be concluded that the relationship between Responsiveness and Customer Satisfaction is not significant. This means that the hypothesis 2 (H2) is rejected.
- 3) The relationship between the Assurance variable and Customer Satisfaction has a path coefficient value of 0.348, and a T-statistic value of 4.550 (less than the T-table of 1.96). From these results, it can be concluded that the relationship between Assurance and Customer Satisfaction is has a positive and significant impact, so the hypothesis 3 (H3) is accepted.
- 4) The relationship between the Empathy variable and Customer Satisfaction has a path coefficient value of 0.193, and a T-statistic value of 2.057 (more than the T-table of 1.96). This shows that the relationship between Empathy and Customer Satisfaction has a positive and significant impact, so the hypothesis 4 (H4) is accepted.
- 5) The relationship between the Tangibles variable and Customer Satisfaction has a

path coefficient value of 0.156, and a T-statistic value of 2.225 (more than the T-table of 1.96). This shows that the relationship between Tangibles and Customer Satisfaction has a positive and significant impact, so the hypothesis 5 (H5) is accepted.

A summary of the results of the hypothesis testing is shown in table 4.4 below.

Table 4. 4

Hypotheses Testing

Hypothesis		T-Statistics	T-Table	Decision
H1	Reliability has a significant relationship with Customer Satisfaction	1.550	1.96	Rejected
H2	Responsiveness has a significant relationship with Customer Satisfaction	0.450	1.96	Rejected
H3	Assurance has a significant relationship with Customer Satisfaction	4.550	1.96	Accepted
H4	Emphaty has a significant relationship with Customer Satisfaction	2.057	1.96	Accepted
H5	Tangibles has a significant relationship with Customer Satisfaction	2.225	1.96	Accepted

4.5.3 R Square

The goodness-fit test of the model relies on evaluating the R-square value during structural model testing. The assessment technique in PLS starts by determining the R-square values for each dependent latent variable. Changes in R-square values allow professionals to determine which independent latent variables significantly affect their dependent latent variable. The variables need assessment to determine their meaningful influence on the system. The R-square results of 0.67; 0.33; and 0.19

designate endogenous latent variables to *good*, *moderate*, and *weak* model categories as per Ghozali P (2014). The R-square value that affects a construct on another construct is displayed in the matrix in Table 4.5 below.

Table 4. 5

R-Square

	R Square	R Square Adjusted
Customer Satisfaction	0.640	0.634

A moderate explanatory power exists for the Customer Satisfaction model due to its R-square value of 0.640. The classification of R-square values reveals that numbers above 0.33 represent moderateness and values beyond 0.67 denote good explanatory power. Customer Satisfaction variations amount to 64.0% when measured through Assurance, Empathy, Reliability, Responsiveness, and Tangibles variables. These factors represent 36.0% of what determines the outcome of Customer Satisfaction since they are not included in the current model. Data analysis using Adjusted R-square value demonstrates that the classification of moderate explanatory power remains accurate when taking into account five predictors. The research model demonstrates acceptable predictive abilities although it does not achieve good classification standards.

4.6 Discussion of Findings

The PLS-SEM analysis demonstrates that assurance and empathy along with tangibles create positive impacts on customer satisfaction yet reliability and responsiveness do not establish statistically important correlations. The research findings match previous studies while adding unique notions which apply to Islamic banking operations in Malaysia.

4.6.1 Assurance and Customer Satisfaction

Findings demonstrated assurance displays the maximum positive effect on satisfaction levels of customers ($\beta = 0.348$, $t = 4.550$, $p < 0.001$). The study results verify Ali and Raza (2020) who highlighted assurance as an essential element for developing trust and confidence between banking customers. Since Islamic banking departs from conventional practices BIMB requires superior assurance functions for customers who want financial stability together with Shariah principle compliance. The level of customer satisfaction at BIMB depends on employees' knowledge performance and interpersonal communication skills because proper staff training ensures high standards of assurance (Siddiqi 2021). The assurance concept within Islamic banking requires both exceptional technical ability and clear ethical operations and transparent practices. The trust of customers rests on institutions which fulfill their commitments while following Shariah principles. BIMB requires its staff members to become experts in Shariah-compliant products and services according to Al-Azzam (2021). Such expertise establishes prolonged customer relations and enhances loyalty among Muslim clients who prioritize ethical financial operations.

4.6.2 Empathy and Customer Satisfaction

Results from statistical analysis affirm that empathy directly impacts customer satisfaction ($\beta = 0.193$, $t = 2.057$, $p = 0.040$). Al-Azzam (2021) validates this finding by showing that personalized care with attention remains vital for developing powerful customer relationships. The organization displays empathy by recognizing the individual requirements of different customers such as Muslim and non-Muslim individuals who seek its financial services. BIMB uses enhanced empathetic interactions to build loyalty and satisfaction with its customers who face competitive banking conditions (Zouari & Abdelhedi 2023). The principle of fairness in Islamic banking pairs perfectly with empathy because both concepts stress mutual benefit. The financial institution gains customer trust when it moves from transactional relations by understanding both goals and challenges facing its clients. Empathy toward customers is built through specialized Shariah-compliant financial solutions and adaptable payment options. Empathetic relationships between banks and their customers result in lasting business partnerships according to Kumar and Singh (2022).

4.6.3 Tangibles and Customer Satisfaction

Results from the research study demonstrated that tangibles service elements directly influence satisfaction levels of customers ($\beta = 0.156$, $t = 2.225$, $p = 0.026$). The results align with Vencataya et al. (2022) who established that physical elements between facilities and equipment together with communication materials directly influence service quality perceptions from customers. Modern branch infrastructure along with attractive design elements at BIMB will produce superior experiences for their customers. By adding branding materials which demonstrate Shariah compliance

BIMB can develop customer trust and display their ethical service commitment (Anouze et al., 2023). The growing digitalization of banking services makes digital platforms consider part of the tangibles service elements. Zouari and Abdelhedi (2021) highlight user interface appeal together with ease of use as essential elements which determine customer satisfaction. BIMB should make its mobile and online banking platforms easy to use along with providing secure access that adheres to Shariah principles. Efforts to improve digital platforms would bring technologically adept clients to BIMB while separating it from rival institutions.

4.6.4 Reliability and Responsiveness

The research outcome disproved previous predictions showing no significant associations between customer satisfaction and reliability together with responsiveness ($\beta = 0.140$, $t = 1.550$, $p = 0.121$; $\beta = 0.034$, $t = 0.450$, $p = 0.652$, respectively). Against previous research by Ghamry and Shamma (2022) reliability and responsiveness failed to prove their significance as trust and loyalty factors. Customers might see these elements as basic standards which they anticipate from any service provider thus these elements do not create distinctive advantages. The level of service reliability and responsiveness provides to customer satisfaction achieves its maximum point but does not lead to additional improvement. BIMB needs to maintain consistent delivery of service dimensions which meet customer requirements and concentrate efforts on aspects that bring the most impact (Hassan et al., 2023). The banking industry's growing standardization of business processes is probably another reason behind this observation. Reliability and responsiveness have become standard expectations among customers thus any deviation from these basic standards would

result in customer dissatisfaction. The delivery of superior services beyond expectations remains disconnected from satisfaction improvements among customers. BIMB should adopt original methods to boost assurance measuring along with empathy and tangibles delivery because these elements directly affect customer satisfaction rates.

4.7 Summary of the Chapter

This research paper displayed its final results within this concluding chapter. PLS-SEM delivered the analysis for measuring both reliability and validity of research measurements. Bootstrapping methods served as the validation method for research hypotheses during PLS-SEM analysis. The measurement model showed acceptable results through strong evidence of reliability together with convergent validity and discriminant validity. The researchers proceeded to evaluate the structural model following the assessment of measurement model. Future research limitations and implications for practice follow this section which provides discussions on findings.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

Chapter Five presents an entire evaluation of Chapter Four's findings while connecting them to theoretical research and existing studies. The study examines how assurance and empathy and tangibles as service quality dimensions affect customer satisfaction at Bank Islam Malaysia Berhad (BIMB). The following portion analyzes theoretical and practical implications of discovered results to help BIMB upgrade its services that boost customer satisfaction.

5.2 Recapitulation of the Study

The study aimed to investigate the impact of service quality dimensions that are assurance, empathy, tangibles, reliability, and responsiveness on customer satisfaction at Bank Islam Malaysia Berhad (BIMB). Using Partial Least Squares Structural Equation Modeling (PLS-SEM), the analysis revealed significant insights into how these dimensions influence customer perceptions and satisfaction levels in the context of Islamic banking.

The findings demonstrated that assurance, empathy, and tangibles have a positive and statistically significant impact on customer satisfaction. Assurance emerged as the most influential factor, highlighting the critical role of knowledgeable, trustworthy, and ethical staff in building customer confidence and trust. This aligns with the unique nature of Islamic banking, where adherence to Shariah principles and transparency are paramount. Empathy also played a vital role, emphasizing the importance of

personalized care and attention to individual customer needs, particularly in catering to both Muslim and non-Muslim clients. Tangibles, including modern infrastructure, visually appealing branches, and user-friendly digital platforms, were shown to enhance customer satisfaction by addressing evolving customer expectations in a technologically advanced era.

In contrast, reliability and responsiveness did not exhibit significant correlations with customer satisfaction. This suggests that while these factors are considered basic expectations in banking services, they do not serve as differentiators in enhancing satisfaction levels. Customers likely view reliability and responsiveness as standard requirements, and their absence would lead to dissatisfaction, but their presence alone does not significantly elevate satisfaction. This finding underscores the need for BIMB to focus on exceeding basic expectations by prioritizing assurance, empathy, and tangibles elements to create a competitive advantage.

Overall, the study provides actionable insights for BIMB to refine its service delivery strategies. By investing in staff training to enhance assurance, developing empathetic customer relationships, and upgrading tangibles aspects such as physical facilities and digital platforms, BIMB can significantly improve customer satisfaction. Additionally, maintaining consistent reliability and responsiveness remains essential to meet baseline customer expectations and prevent dissatisfaction. This recapitulation reinforces the importance of aligning service quality dimensions with the dual mission of Islamic banking: fulfilling financial needs while adhering to ethical and Shariah-compliant practices. The findings contribute to both academic knowledge and practical applications, offering a foundation for future research and strategic improvements in the Islamic banking sector.

5.3 Contribution of the Study

The research adds to the academic knowledge of service quality aspects in Islamic banking because it shows how specific dimensions influence customer satisfaction levels. Future research must investigate assurance empathy and tangibles further because these elements prove to be essential drivers according to study findings. The research findings provide BIMB with essential knowledge to develop its service strategies through employee assurance training paired with empathy development and tangibles attributes improvements for superior customer satisfaction. Policymakers and regulators must recognize that Shariah principles should integrate with advanced modern technology according to the research findings. All initiatives that involve digital transformation need to follow ethical principles if organizations want to gain their customers' trust together with their satisfaction. The research underscores the importance of developing place-specific service quality enhancement strategies while taking into account Malaysian cultural and consumer characteristic variations.

5.4 Limitation

The relevant findings of this research are supported by documented evidence that comes with specific constraints. The information originated from customers based in Northern Malaysia thereby reducing the potential transferability of results to other regions. Future research should increase regional diversity by extending the geographical bounds of the study. A study of evolving service quality dimension effects on customer satisfaction needs to span across different timescales. Another research opportunity exists for analysis of digital transformation effects on service quality in Islamic banking. The use of interview and focus group qualitative research

would open up new possibilities to uncover customers' direct assessments and encounter stories. Qualitative methods should be used in combination with quantitative measurements to provide a more complete view of factors that determine Islamic banking customer satisfaction.

5.5 Recommendation

Based on findings, BIMB requires several recommendations that will enhance customer satisfaction. A dedicated staff training initiative must be established by the bank to teach employees about Shariah-compliant product knowledge which will foster trust and confidence among their customers. The company needs to use individual needs assessment for creating customized financial solutions which will strengthen empathetic customer relationships. The tangibles dimension will get a boost when the bank makes investments towards modern infrastructure combined with visually pleasing branches along with accessible digital platforms. Reliability and responsiveness are vital expectations for customers even though they proved non-significant in statistical tests. BIMB has to maintain steady accurate services to sustain customer faith as well as forestall discontentment. Public officials along with regulatory agencies need to back initiatives that unite Shariah principles with technological developments for building sustainable banking systems that follow ethical standards. New research initiatives must explore contemporary technological impacts and broaden research facilities across different countries through temporal examination of changing satisfaction trends.

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APPENDICES

Appendix A: Questionnaire

THE EFFECT OF SERVICE QUALITY ON CUSTOMER SATISFACTION OF BANK ISLAM MALAYSIA BERHAD

Assalamualaikum wr.wb.

Dear repondents (*Para responden yang dihormati*),

I am Septi Utari, a Master Student in Islamic Finance and Banking from Islamic Business School (IBS), Universiti Utara Malaysia (UUM). This questionnaire of the research titled “The Effect of *Service Quality on Customer Satisfaction of Bank Islam Malaysia Berhad*” aims to identify the effect of service quality dimensions on customer satisfaction in Bank Islam Malaysia Berhad. Please be informed that the details provided for this survey are strictly confidential, and this survey is truly appreciated with great respect and gratitude.

(*Saya Septi Utari, seorang pelajar Sarjana dalam bidang Kewangan dan Perbankan Islam di Pusat Pengajian Perniagaan Islam (IBS), Universiti Utara Malaysia (UUM). Soal selidik bagi penyelidikan bertajuk “The Effect of Service Quality on Customer Satisfaction of Bank Islam Malaysia Berhad” adalah bertujuan untuk mengenal pasti efek dimensi kualiti perkhidmatan terhadap kepuasan pelanggan di Bank Islam Malaysia Berhad. Dimaklumkan bahawa segala maklumat yang diberikan dalam kaji selidik ini adalah sulit dan digunakan untuk penyelidikan ini sahaja. Kerjasama anda dalam menjawab kaji selidik ini amat dihargai dan didahului dengan ucapan terima kasih.*)

If you have any questions, please contact me via email at septiutari05@gmail.com (*Sekiranya anda mempunyai sebarang pertanyaan, sila hubungi saya melalui email di septiutari05@gmail.com.*)

Thank you for your time and cooperation (*Terima kasih atas kesudian meluangkan masa dan kerjasama yang diberikan*).

Section A General information

1. Gender (*Jantina*)
 - Male (*Lelaki*)
 - Female (*Perempuan*)
2. Age (*Umur*)
 - < 20 Years (*Kurang dari 20 tahun*)
 - 20– 30 Years (*21-30 tahun*)
 - 31– 40 Years (*31-40 tahun*)
 - 41– 50 Years (*41-50 tahun*)
 - >50 Years (*lebih dari 50 tahun*)

3. **Education** (*Pendidikan*)
- Secondary (*Asasi*)
 - Diploma
 - Undergraduate (*Ijazah Pertama/Sarjana Muda*)
 - Postgraduate (*Lepasan Ijazah/Sarjana/Doktor Falsafah*)
4. **Income** (*Pendapatan bulanan dalam RM*)*
- No Income (*Tiada Pendapatan*)
 - Below 2000 (*Kurang dari 2000*)
 - 2000 - 3000
 - 3001 - 4000
 - 4001 - 5000
 - 5000 and above (*Lebih dari 5000*)
5. **Employment** (*Pekerjaan*)*
- Employed (*Bekerja*)
 - Unemployed (*Tidak Bekerja*)
 - Self-employed (*Bekerja Sendiri*)
6. **Types of service obtained at Bank Islam Malaysia Berhad** (*Jenis perkhidmatan yang diperolehi di bank Islam*)*
- Saving (*Simpanan*)
 - Withdrawal (*Pengeluaran*)
 - Cash Deposit (*Deposit Tunai*)
 - Financing (*Pembiayaan*)
 - Debit Cards (*Kad Debit*)
 - Credit Cards (*Kad Kredit*)
 - Ar-Rahnu
 - Bill Payment services (*Perkhidmatan Pembayaran Bil*)
 - Interbank cash deposit (*Deposit Tunai Antara Bank*)
 - Other (*Lainnya*)
7. **How long have you been customer to Bank Islam Malaysia Berhad?** (*Berapa lama anda menjadi pelanggan Bank Islam Malaysia Berhad?*)
- Less than 1 year (*Kurang dari 1 tahun*)
 - 1-2 years (*1-2 tahun*)
 - 2-5 years (*2-5 tahun*)
 - More than 5 years (*Lebih dari 5 tahun*)
8. **How frequent do you deal with services offered by the Bank Islam Malaysia Berhad?** (*Berapa kerap anda berurusan dengan perkhidmatan yang ditawarkan oleh Bank Islam Malaysia Berhad?*)
- 3-5 times a week (*3-5 kali seminggu*)
 - Once a week (*Seminggu sekali*)
 - Once in every two week (*Setiap dua minggu sekali*)
 - Once in a Month (*Sekali dalam Sebulan*)

Section B

General Opinion

Please read description given. Then rate the frequency by tick the corresponding next to the statement. Use the following scale:

1 = Strongly Disagree

2 = Disagree

3 = Neither Agree nor Disagree

4 = Agree

5 = Strongly Agree

Tangible		1	2	3	4	5
1.	The bank premises is visually appealing (infrastructure, building etc) <i>Premis bank menarik secara visual (infrastruktur, bangunan, dll)</i>					
2.	The bank has technological up-to-date equipment's <i>(Bank memiliki peralatan teknologi yang terkini)</i>					
3.	The bank employees appear professional with smart dress <i>(Pekerja bank kelihatan profesional dengan pakaian yang kemas)</i>					
4.	The bank marketing materials are clear while providing complete information. <i>(Bahan pemasaran bank adalah jelas dan menyediakan maklumat yang lengkap)</i>					

Reliability		1	2	3	4	5
1.	The bank providing the services as promised time limit. <i>(Bank menyediakan perkhidmatan mengikut had masa yang telah dijanjikan)</i>					
2.	The bank provides accurate services as promises. <i>(Bank menyediakan perkhidmatan yang tepat seperti yang dijanjikan.)</i>					
3.	The bank employees are dependable in resolving my Complaints <i>(Pekerja bank boleh diharapkan dalam menyelesaikan aduan saya)</i>					
4.	The bank records along with transactions performed are up-to-date with no error <i>(Rekod bank bersama transaksi yang dilaksanakan adalah terkini tanpa sebarang kesilapan)</i>					

Responsiveness		1	2	3	4	5
1.	The bank employees are willing to help their customers. <i>(Pekerja bank bersedia untuk membantu pelanggan mereka)</i>					
2.	The employees are prompt in service delivery. <i>(Pekerja bank bertindak pantas dalam menyediakan perkhidmatan)</i>					
3.	The bank has an effective complaint handling process. <i>(Bank mempunyai proses pengendalian aduan yang berkesan)</i>					
4.	The bank employees are well trained to deliver as well as solve queries. <i>(Pekerja bank dilatih dengan baik dalam memberikan perkhidmatan serta menyelesaikan pertanyaan)</i>					

Assurance		1	2	3	4	5
1.	The bank employees are knowledgeable with the required skills regarding the bank's products as well as its services. <i>(Pekerja bank berpengetahuan dengan kemahiran yang diperlukan mengenai produk serta perkhidmatan bank)</i>					
2.	I am satisfied with the security of the bank. <i>(Saya berpuas hati dengan tahap keselamatan bank)</i> Strongly Disagree (Sangat Tidak Setuju)					
3.	The bank employees are very much courteous while interacting with the customers <i>(Bank mengekalkan transaksi serta maklumat peribadi secara sulit)</i>					
4.	The transactions and personal information are kept confidential by the bank. <i>(Transaksi dan maklumat peribadi disimpan secara sulit oleh pihak bank)</i>					

Empathy		1	2	3	4	5
1.	The bank employees give attention individually to every customer. <i>(Pekerja bank memberikan perhatian secara individu kepada setiap pelanggan)</i>					
2.	The bank has strong customer relationship team <i>(Bank mempunyai pasukan hubungan pelanggan yang kukuh)</i>					
3.	The bank focuses on the requirement of an individual customer. <i>(Bank memberi tumpuan kepada keperluan setiap pelanggan secara individu)</i>					
4.	The bank's operating hours are convenient to me <i>(Waktu operasi bank adalah sesuai dengan keperluan saya)</i>					

Customer Satisfaction		1	2	3	4	5
21.	I am satisfied to be associated with the bank. <i>(Saya berpuas hati menjadi pelanggan bank ini)</i>					
22.	I am satisfied with banking services <i>(Saya berpuas hati dengan perkhidmatan perbankan)</i>					
23.	I am satisfied with banking operations <i>(Saya berpuas hati dengan operasi perbankan)</i>					
24.	I am satisfied to do transaction with the bank. <i>(Saya berpuas hati melakukan transaksi dengan pihak bank)</i>					

THANK YOU VERY MUCH FOR YOUR TIME AND EFFORT, IT IS GREATLY APPRECIATED.



Appendix B : Cross Loadings (Discriminant Validity)

	Assurance	Customer Satisfaction	Empathy	Reliability	Responsiveness	Tangibility
A1	0,840	0,641	0,799	0,704	0,746	0,709
A2	0,872	0,726	0,686	0,658	0,716	0,578
A3	0,925	0,648	0,697	0,723	0,685	0,639
A4	0,843	0,611	0,668	0,677	0,581	0,621
CS1	0,727	0,915	0,671	0,694	0,651	0,622
CS2	0,630	0,897	0,628	0,611	0,596	0,578
CS3	0,651	0,900	0,688	0,606	0,621	0,573
CS4	0,711	0,889	0,671	0,703	0,636	0,713
E1	0,756	0,662	0,899	0,736	0,796	0,677
E2	0,732	0,672	0,902	0,734	0,768	0,691
E3	0,781	0,671	0,889	0,778	0,761	0,695
E4	0,539	0,542	0,763	0,584	0,589	0,522
RL1	0,624	0,570	0,701	0,874	0,657	0,702
RL2	0,766	0,698	0,749	0,897	0,729	0,755
RL3	0,602	0,524	0,615	0,743	0,645	0,550
RL4	0,638	0,622	0,674	0,819	0,629	0,685
RS1	0,620	0,519	0,639	0,638	0,843	0,544
RS2	0,646	0,581	0,769	0,717	0,889	0,614
RS3	0,717	0,713	0,770	0,718	0,883	0,679
RS4	0,745	0,584	0,759	0,697	0,868	0,687
T1	0,567	0,601	0,624	0,675	0,561	0,873
T2	0,645	0,582	0,581	0,690	0,581	0,864
T3	0,538	0,422	0,633	0,575	0,682	0,706
T4	0,682	0,675	0,689	0,758	0,652	0,886