

Islamic bank customer satisfaction, trust, loyalty and word of mouth: the CREATOR model

740

Received 21 January 2022
Revised 2 July 2022
29 September 2022
Accepted 30 October 2022

Sadia Mehfooz Khan

Department of Business Administration, IQRA University, Karachi, Pakistan

Muhammad Ali

UCSI Graduate Business School, UCSI University, Kuala Lumpur, Malaysia

Chin-Hong Puah

*Department of Economics, Faculty of Economics and Business,
Universiti Malaysia Sarawak, Kota Samarahan, Malaysia*

Hanudin Amin

*Labuan Faculty of International Finance, Universiti Malaysia Sabah,
Kota Kinabalu, Malaysia, and*

Muhammad Shujaat Mubarak

*College of Business Management, Institute of Business Management,
Karachi, Pakistan*

Abstract

Purpose – This study aims to investigate two primary objectives. First, this study examines the influence of modified service quality dimensions on Islamic bank customer satisfaction using a compliance, reliability, empathy, assurance, tangible, operational efficiency, responsiveness (CREATOR) model. Second, the study explores the relationship between customer satisfaction, trust, loyalty and word of mouth (WOM) in Islamic banking of Pakistan.

Design/methodology/approach – The proposed model was analyzed using PLS-SEM-based approach. A total of 312 usable responses were used for data analysis.

Findings – The results indicate that all CREATOR dimensions have a significant positive impact on Islamic banks' customer satisfaction. Similarly, this study also found a significant positive relationship between customer satisfaction, trust, loyalty and WOM. Overall, this study modified a well-established service quality framework by successfully implementing the CREATOR model in Islamic banking.

Originality/value – This study will provide helpful policy guidelines for Islamic bank managers improve their service quality and strengthen their relationships with existing and new customers. The authors are also sure that their proposed model will add value to the ongoing service quality literature by indicating the role of operational effectiveness in increasing customer satisfaction and promoting positive WOM.

Keywords Service quality, Satisfaction, Trust, Loyalty, Word-of-mouth, Islamic banks

Paper type Research paper



1. Introduction

Maintaining service quality improvements in a highly competitive industry makes it imperative for a company to gain competitive advantage (Fauzi and Suryani, 2018). Many practitioners believe that a firm can increase its performance by giving superior service quality (Black *et al.*, 2001; Haynes and Fryer, 2000; Caruana *et al.*, 2000; Al-Hawari, 2006;

Yoo and Park, 2007; Cheruiyot and Maru, 2013). Therefore, implementations to provide better service quality lead a firm to have high returns and market share (Rust and Zahorik, 1993). The discussion on the high quality of service remains crucial among tertiary industries worldwide, where businesses struggle in the marketplace to maintain a comparative advantage (Fauzi and Suryani, 2018). Hence, service quality acts a competitive tool for banks where financial products aim to strive in a market where most similar products are sold (Stafford, 1996) and allow them to remain unique in a highly competitive market (Karatepe *et al.*, 2005).

The importance of service quality has motivated Islamic banks to develop a core competitive strategy for quality services (Chaoprasert and Elsej, 2004). The SERVQUAL model by Parasuraman *et al.* (1985) has been widely used by numerous academic researchers as well as service industries (Awan *et al.*, 2011; Lam and Woo, 1997; Chi Cui *et al.*, 2003; Yavas *et al.*, 1997; Wang *et al.*, 2003; Raza *et al.*, 2015; Zhu *et al.*, 2002). However, Islamic banks from several countries have given considerable attention to evaluating service quality using the compliance, assurance, reliability, tangible, empathy and responsiveness (CARTER) model (Fauzi and Suryani, 2018; Janahi and Almubarak, 2015; Misbach and Hadiwidjojo, 2013; Rehman, 2012). This study aims to extend the CARTER model by including one more dimension, namely, operational effectiveness and thus, introducing the compliance, reliability, empathy, assurance, tangible, operational efficiency, responsiveness (CREATOR) model for Islamic banks. Operational effectiveness is an organization's ability to establish processes by capitalizing its core capabilities to fulfill customer expectations (Evans and Lindsay, 2011). An organization's effectiveness can be measure through its value-added services with superior quality and timeliness at affordable prices (Santa *et al.*, 2019). In Pakistan, the banking sector has taken plenty of initiatives to improve service quality dimensions with active participation from foreign and local stakeholders (Awan *et al.*, 2011). This enables competition to gain more customers by providing better service quality in the long run (Ali and Raza, 2017). As a result, setting high standards of service quality enables customers to feel satisfied and increase their loyalty and willingness to recommend or suggest to others, reduce customer complaints and, to a great extent, improve retention rates of customers (Zeithaml *et al.*, 1996).

In past, many studies have related the concept of service quality with customer satisfaction (Angur *et al.*, 1999; Awan *et al.*, 2011; Amin and Isa, 2008); LeBlanc and Nguyen, 1988; Arasli *et al.*, 2005a, 2005b; Ahmed *et al.*, 2010). Although, Parasuraman *et al.* (1985) argued that in customer satisfaction, the concept of service quality is inconclusive. However, many researchers have related service quality with customer satisfaction within the banking industry (Blanchard and Galloway, 1994; Avkiran, 1994; LeBlanc and Nguyen, 1988). Also, delivering high service quality increases customer trust through customer satisfaction (Misbach and Hadiwidjojo, 2013). Therefore, it is apparent that trust holds great value in the financial services sector (Beckett *et al.*, 2000; Ennew *et al.*, 2011; Bejou *et al.*, 1998; Sekhon *et al.*, 2013, 2014).

The nature of financial services is considered to be intangible. Thus, its evaluation becomes difficult before purchasing or even consuming. Further, transferring ownership or realization of a product or promise does not occur until a future date (Farquhar and Robson, 2014). Hence, customers' trust in financial services becomes essential to gaining customer confidence (Ennew *et al.*, 2011). In Islamic banks, trust can be defined as a positive feeling associated with customer's expectations related to the services or products that fulfill their needs (Rizwan *et al.*, 2014). This study also seeks the impact of customer trust on customer loyalty within the Islamic banking of Pakistan. The primary objective is to obtain new customers while maintaining existing customers who are unwilling to switch to other banks. According to Firdaus (2014), an organization that runs on Islamic ideology sustains itself through its customers. Therefore, an organization must build its trust level to gain loyalty. However, using only this strategy is insufficient to satisfy customers' needs and prevent