Customer Perception on Bank Service Quality: A Comparative Study between Conventional Commercial Banks and Islamic Commercial Banks in Bangladesh

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ABSTRACT

Customer perception refers to the process by which a customer selects, organizes, and interprets information inputs to create a meaningful picture of the service quality within an organization. In the fast growing banking industry like Bangladesh, every bank is looking forward towards faster growth through providing better service quality than others. However, there are certain challenges started rising in front of the booming banking sector which are needed to be addressed immediately; such as, managing compliance, mitigating fraud/ cyber security, managing hiring decisions etc. It is obvious that, those who will efficiently handle these challenges will certainly lead the market and gain higher customer contentment. The main purpose of this study is to compare the customer perception towards the service Quality offered by Conventional Commercial Banks and Islamic Shariah-based Commercial Banks in Bangladesh through using SERVQUAL instrument. 204 respondents have been randomly selected for the study among them 162 is from Conventional banks and 42 are from Islamic banks. The findings of the research should help the policy makers and regulators in banking industry to have a deep insight towards the different perception of customers and assist in taking effective measures to achieve organizational goal through improving their service Quality.

Key Words: Conventional Commercial Banks, Islamic Commercial Banks, Customer Perception, Service Quality

INTRODUCTION

The banking sector in Bangladesh plays an important role in the national economy of Bangladesh. In recent years, due to increase competition between public and private banks,

the banking sector has faced remarkable change and bought huge revolution in customer perception on banking service in Bangladesh. It is necessary for every bank to regularly study the customer perception about the service, what new expectation about the service they have, and how they can be satisfied to retain the old customer and attract the new customers. In recent times the number of scheduled Commercial banks has been increased tremendously, as a result the nature of products and services being offered by the Bangladeshi banks have also been changed. Banks now have realized that delivery of good service quality is highly associated with customers' satisfaction, complaint reduction, bank preferences and brand loyalty (Reza et al, 2012) and bank selection by the customers' is also affected by the service quality (Rehman and Ahmed, 2008). Nowadays, better and quality service to customer becomes the main agenda of banks.

Customers are the most important stakeholders in service industries (Nguyen, 2012). Service quality is expected to be the difference between customer expectations and perceptions either it is acknowledged or being acknowledged by the customer (Parasuraman et al, 1988). Service quality can be defined as "the difference between customers' expectations for service performance preceding to the service encounter and their perceptions of the service expected" (Asubonteng et al., 1996). Due to the rising importance of service quality mainly in banking sector of Bangladesh, this study is focused on to estimate the variation of perception between Conventional Commercial Banks and Islamic Shariah-based Commercial Banks in Bangladesh. For this purpose, 'SERVQUAL' instrument was used to compute the customer perception about service quality delivered by these banks. Six service quality dimensions; tangibility, reliability, responsiveness, assurance, empathy and technology were used in order to determine the customers' perceptions about the service quality of the Conventional Commercial Banks and Islamic Shariah-based Commercial Banks located in Bangladesh.

The Bangladesh banking sector relative to the size of its economy is comparatively larger than many economies of similar level of development and per capita income (Asaduzzaman et al., 2012). Currently there are 56 scheduled banks which include 6 state-owned commercial banks, 2 specialized banks, 31 Domestic private commercial banks, 8 Islamic Shariah based commercial banks and 9 foreign-owned commercial banks in Bangladesh (Bangladesh Bank, 2016).

LITERATURE REVIEW

A large number of studies have been conducted on customer satisfaction of commercial banks in Bangladesh. According to Lewis and Boom (1983), "Service is a measure of how well the service level delivered matches customer expectations. Delivering quality service means conforming to customer expectation on a consistent basis." Due to unique features of service, it is difficult not only to measure service quality, but also to provide the same quality of services to all customers. (Parasuraman et al. 1988). Karatepe et al (2005) pointed out the importance of developing industry-specific measures of customer service quality. Their study revealed that interaction quality is the most important dimension of service quality followed by empathy, reliability and service environment.

In case of conducting research on customer satisfaction of the banking industry, many researchers have followed Parasuraman, Zeithaml and Berry's SERVQUAL model, whereas there are few researchers who applied new models and approaches while measuring customer service quality. For example, Kemal Avkiran (1994) developed a multi-dimensional instrument for measuring customer perceived quality in retail branch banking. He used

SERVQUAL as a starting point and then emerged by adding new items like staff conduct, credibility, communication and access to banker services. Bahia and Nantel (2000) developed a reliable and valid scale for the measurement of the perceived service quality of bank services which span six dimensions: effectiveness and assurance; access; price; tangibles; services portfolio and reliability. Aldlaigan and Buttle (2002) described the development of a new scale designed to measure service quality perceptions of retail bank customers based on the technical and functional service quality schema proposed by Grönroos. Their study resulted in SYSTRA-SQ, which consists of four dimensions: service system quality, behavioral service quality, service transactional accuracy, and machine service quality.

Study conducted by Wakefield and Blodgett (1999) stated that the tangible physical environment plays an important role to influence customer perceptions and feelings towards service quality. Afrin (2012) found the Responsiveness as the most important dimension of overall bank service quality in Bangladesh followed by Tangibility, Reliability, Assurance and Empathy. Siddiqi (2011) found that there is a positive relationship between service quality attributes and customers' satisfaction in Bangladesh. The study was also supported by Ahmad and Anis et al. (2011) in their comparative study of Islamic and Conventional banks in Pakistan. Rahman et al (2011) found that organizations offering high service quality got competitive advantage over other similar firms. According to Asaduzzaman et al. (2012), recommendations should be given by marketing managers to initiate extensive customer-relations training program for stimulating the banks' core competency.

OBJECTIVE OF THE STUDY

The basic objective of the study is to identify the customer perception on bank service Quality in Conventional commercial banks and Islamic Shariah-based commercial banks in Bangladesh. Specific objectives are:

- To determine the influential factors those define the quality of customer service in both Conventional banks and Islamic banks in Bangladesh.
- To make a comparison of the customer perception of bank service in these two categories of banks.

METHODOLOGY OF THE STUDY

Among 39 Conventional commercial banks and 8 Islamic banks in Bangladesh, currently there are more than 10 lac customers who have regular transactions with these banks. This study is based on primary data. A structured questionnaire was designed to collect primary data by using literature review. The primary data were collected through personal interview while respondents were getting service in their respective banks.

To determine the sample size of customer, published formula of University of Florida was used as a reference. According to this table, the sample size for the more than 10 lac population size with 93% confidence level and ±7% precision level are approximately 204 using the formula,

$$n=\frac{N}{(1+Ne^2)};$$

Where n is sample size, N is the population size, and e is the level of precision.

From these 204 samples, we have applied weighted average method to distribute the respondents in the following manner:

Table 1: Application of Weighted Average Method for sampling

Category of Bank	Total Bank	Weighted Average
Islamic commercial banks	8	Sample = $\frac{8}{39} \times 204 = 42$
Conventional Commercial Banks	31	Sample = $\frac{31}{39} \times 204 = 162$
Total	39	204

After weighted average, we have applied simple random sampling technique for collecting data from the respective banks. Five point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree) was used to collect data from the respondents. Two demographic variables, namely, age, and gender were taken to determine the variability of six dimensions across those variables. For analysis of the demographic information, we used SPSS software. By using Smart PLS software, we have found the influential factors for both Conventional commercial& Islamic banks and also comparison of those factors.

HYPOTHESES TESTING

Two hypothesis have been tested one is null hypothesis (H_0) and another is alternative hypothesis (H_1).

(For Conventional Commercial Bank)

- Null hypothesis: **H_0= Customer Perception towards Overall service quality **does not depend on** Assurance, Empathy, Reliability, Responsiveness, Tangibility, Technology
- Alternative hypothesis: **H_1= Customer Perception towards Overall service quality **depends on** Assurance, Empathy, Reliability, Responsiveness, Tangibility, Technology

(For Islamic Bank)

- Null hypothesis: **H_0 = Customer Perception towards Overall service quality **does not depend on** Assurance, Empathy, Reliability, Responsiveness, Tangibility, Technology
- Alternative hypothesis: **H_1= Customer Perception towards Overall service quality **depends on** Assurance, Empathy, Reliability, Responsiveness, Tangibility, Technology

(For both Conventional Commercial and Islamic Bank)

- Null hypothesis: **H_0 = Customer Perception towards Overall service quality **does not depend on** Assurance, Empathy, Reliability, Responsiveness, Tangibility, Technology
- Alternative hypothesis: **H_1= Customer Perception towards Overall service quality **depends on** Assurance, Empathy, Reliability, Responsiveness, Tangibility, Technology

Statistical tools used: Both descriptive and inferential statistics were used to analyze the data. Inferential statistics like Factor Analysis (FA) was used to separate the factors related to overall bank service Quality of Conventional and Islamic banks in Bangladesh. Partial Least Square method was also used to identify the significant factors from the factors identified through factor analysis.

Convergent validity: When multiple items are used to measure an individual construct, the item (indicator) convergent validity should be one of the main concerns to the researcher. Anderson and Gerbing (1988) stated that convergent validity is established if all factor loadings for the items measuring the same construct are statistically significant. According to Hair *et al*. (1998) convergent validity could be accessed through factor loadings, composite reliability and the average variance extracted. The results of the measurement model in Table- 5, 6 and 7 show that the loadings for all items exceeded the recommended value of 0.50 (Hair *et al*. 1998).Composite reliability (CR) values ranged from 0.872 to 0.934

for Conventional Banks, 0.785 to 0.958 for Islamic Bank, combined 0.944 to 0.831 which exceeded the recommended value of 0.70 (Hair *et al*. 1998).

Average variance extracted: All values of the average variance extracted (AVE) that measures the variance captured by the indicators relative to measurement error were greater than 0.50 to indicate acceptability of the constructs (Fornell & Larcker, 1981; Henseler, Ringle, & Sinkovics, 2009). It is seen that these indicators satisfied the convergent validity of the constructs (Table- 5, 6, 7).

Test of Reliability: To analyze the reliability (internal consistency) of the variables, this study used the Cronbach's alpha coefficient and composite reliability (CR) value. Table 5, 6 and 7 shows all Cronbach's alpha values are above 0.60 cutoff values as suggested by Nunnally and Berstein (1994). Standardized Cronbach's alpha formula is given below.

$$\alpha = \frac{N.\ \bar{C}}{\bar{V} + (N-1).\bar{C}}$$

Here, N is equal to the number of items, c-bar is the average inter-item covariance among the items and v-bar equals the average variance.

***Coefficient of determination*:** The reliability also finds that the coefficient of determination R square (0.38) for Conventional banks, 0.732 for Islamic Bank, and 0.516 for both Conventional banks, Islamic Bank for the dependent variable i.e., overall bank service Quality of Conventional and Islamic banks in Bangladesh. This means that the only six independent variables are moderately explain 51.6% of the variance in both Conventional banks, Islamic Bank for the dependent variable.

VALIDITY AND RELIABILITY ANALYSES FOR THE INSTRUMENT

Table-2: Discriminant Analysis

For Conventional Bank

	ASN	EMP	REL	RES	TCH	TNG
ASN	0.883					
EMP	0.479	0.835				
REL	0.470	0.413	0.862			
RES	0.437	0.278	0.307	0.908		
TCH	0.367	0.358	0.32	0.123	0.859	
TNG	0.482	0.418	0.401	0.254	0.255	0.850

For Islamic Bank

	ASN	EMP	REL	RES	TCH	TNG
ASN	0.940					
EMP	0.750	0.842				
REL	0.721	0.543	0.897			
RES	0.622	0.853	0.682	0.784		
TCH	0.636	0.553	0.498	0.456	0.804	
TNG	0.650	0.589	0.640	0.684	0.282	0.851

For both Conventional and Islamic Bank

	ASN	EMP	REL	RES	TCH	TNG
ASN	0.922					
EMP	0.639	0.842				
REL	0.654	0.445	0.873			
RES	0.651	0.540	0.513	0.846		
TCH	0.483	0.461	0.382	0.189	0.791	
TNG	0.565	0.443	0.422	0.459	0.242	0.849

Table 2 shows the results of convergent and discriminant validity analyses. All constructs had the values of average variance extracted (AVE) larger than 0.5 indicating that they met the acceptable standard of convergent validity (Barclay, Higgins & Thompson, 1995; Fornell & Larcker, 1981; Henseler et al., 2009). Besides that, all constructs had the values of AVE square root in diagonal were greater than the squared correlation with other constructs in off diagonal, showing that all constructs met the acceptable standard of discriminant validity (Henseler et al., 2009). From the below table we have concluded that all factors value were higher than 0.50 in the Discriminants table.

RESULTS AND FINDINGS

Table 3: Demographic information of both Conventional Bank and Islamic Bank in Bangladesh

		Conventional Bank		Islamic Bank		Both Conventional Bank and Islamic Bank	
		Frequency	Percent	Frequency	Percent	Frequency	Percent
Gender	Male	80	49.7	32	78.0	112	55.4
	Female	82	50.3	10	22.0	92	44.6
	Total	162	100.0	42	100.0	204	100.0
Age of the respondents	18-30 years	90	55.9	18	43.9	108	53.5
	31-45 years	63	39.1	18	43.9	81	40.1
	45 years and above	9	5.0	6	12.2	115	6.4
	Total	162	100.0	42	100.0	204	100.0

Table-3 provides the frequency distribution of the gender comprised of male and female. A total of 162 respondents in Conventional commercial banks were included in this study, out of which 80 respondents were male representing 49.7% of the total population and remaining 81 respondents were female representing 50.3 % of the total population. A total of 42 respondents in Islamic commercial banks were included in this study, out of which 32 respondents were male representing 78% of the total population and remaining 10 respondents were female representing 22% of the total population. Hence, 204 respondents were reached in total from both Conventional and Islamic banks, among them 112 respondents were male representing 55.4% of the total population and 92 respondents were female representing 44.6% of the total population.

Table-3 also provides the frequency distribution of the age of the respondents. A total of 161 respondents in Conventional commercial banks were included in this study, out of which 90 respondents were having age of 18-30 years representing 55.9% of the total population, 63 respondents were having age of 31-45 years representing 39.1% of the total population and remaining 9 respondents were having age above 45 years representing 5% of the total population. A total of 41 respondents in Islamic commercial banks were included in this study, out of which 18 respondents were having age of 18-30 years representing 43.9% of the total population,18 respondents were having age of 31-45 years representing 43.9% of the total populationand remaining 6 respondents were having age above 45 years representing 12.2% of the total population. Hence, 202 respondents were reached in total from both Conventional and Islamic banks, among them 108 respondents were having age of 18-30 years representing 53.5% of the total population, 81 respondents were having age of 31-45 years representing 40.1% of the total population and remaining 15 respondents were having age above 45 years representing 6.4% of the total population.

Table 4: Factor Analysis (For Conventional Bank)

Factors		Factor Loading	T-value	Cronbach's Alfa	Composite Reliability	AVE	VIF
Assurance	Strong knowledge to answer enquiries	0.929	39.095	0.858	0.914	0.780	1.928
	Employees are polite and helpful	0.873	25.464				
	Efficient and fast in service delivery	0.845	19.503				
Empathy	Staffs enthusiasm to understand customer need	0.933	42.032	0.785	0.872	0.697	1.764
	Provides convenient service charges	0.865	16.344				
	Bank always informs about new and attractive offers	0.687	5.620				
Reliability	Safety with all transactions	0.900	12.671	0.831	0.896	0.742	1.495
	Keeps its records accurately	0.867	13.272				
	Promised deadlines	0.815	11.546				
Responsibility	Fast and efficient counter services	0.907	34.679	0.894	0.934	0.825	1.266
	Regular and effective complaint handling process	0.918	42.537				
	The employee help in solving the problems	0.899	31.749				
Technology	No difficulties with bank cards	0.933	48.909	0.831	0.893	0.738	1.502
	ATM service and the machines are installed at proper locations	0.888	16.265				
	Bank offers internet banking services	0.745	6.807				
Tangibility	Suitably dressed and have neat & clean Appearance	0.881	16.216	0.807	0.886	0.723	1.379
	Necessary modern equipment	0.876	13.736				
	Proper waiting and sitting arrangements	0.790	10.301				

Table 4 shows the factor loadings and cross loadings for different constructs. The correlation between items and factors had higher loadings than other items in the different constructs. The loadings of variables more strongly on their own constructs in the model, greater than 0.7 are considered adequate (Chin, 1998; Fornell & Larcker, 1981; Gefen & Straub, 2005; Henseler *et al.*, 2009). In sum, the validity of measurement model meets the criteria.

Table 5 shows the results of reliability analysis for the instrument. The composite reliability and Cronbach's Alpha had values of greater than **0.8**, indicating that the measurement scale used in this study had high internal consistency (Henseler *et al.*, 2009; Nunally & Benstein, 1994; Sekaran & Bougie, 2010).

Generally, a global fit measure (GOF) was conducted for path modeling, it is defined as the geometric mean of average communality and average R^2 (especially endogenous variables) (Chin, 2010) (see the formula).In this study, GOF value was 0.53 (R^2= 0.380, average AVE = 0.750 for customer perception on bank service Quality). So, the value of GOF exceeded the largest cut-off value (0.36) and it was indicated that the proposed model of this study had better explaining power than that based on the recommended value of GOF_{small} = 0.1, GOF_{medium} = 0.25, and GOF_{large} = 0.36 (Akter et al., 2011).

$$GOF=\sqrt{AVE \times R^2}$$

From table-4 also shows that, all of the T-Statistic is larger than 1.96 at 5% level of significance, we can say that the outer model loadings are highly significant. So, our model is accepted for above evidence in this study.

Table 5 shows the factor loadings and cross loadings for different constructs. The correlation between items and factors had higher loadings than other items in the different constructs. The loadings of variables more strongly on their own constructs in the model, greater than 0.7 are considered adequate (Chin, 1998; Fornell & Larcker, 1981; Gefen & Straub, 2005; Henseler *et al.*, 2009). In sum, the validity of measurement model meets the criteria.

Table 6 shows the results of reliability analysis for the instrument. The composite reliability and Cronbach's Alpha had values of greater than **0.8**, indicating that the measurement scale used in this study had high internal consistency (Henseler, Ringle & Sinkovics, 2009; Nunally & Benstein, 1994; Sekaran & Bougie, 2010).

Table 5: Factor Analysis (For Islamic Bank)

Factors		Factor Loading	T-value	Cronbach's Alfa	Composite Reliability	AVE	VIF
Assurance	Strong knowledge to answer enquiries	0.962	63.743	0.934	0.958	0.884	2.75
	Efficient and fast in service delivery	0.943	44.560				
	Employees are polite and helpful	0.914	28.483				
Empathy	Provides convenient service charges	0.942	39.759	0.833	0.879	0.709	2.50
	Bank always informs about new and attractive offers	0.836	5.836				
	Staffs enthusiasm to understand customer needs	0.736	3.452				
Reliability	Keeps its records accurately	0.965	122.29	0.876	0.924	0.804	2.61
	Safety with all transactions	0.902	20.545				
	Promised deadlines	0.816	6.504				
Responsibility	Regular and effective complaint handling process	0.856	18.067	0.710	0.825	0.615	2.44
	Fast and efficient counter services	0.838	14.632				
	Employees help in solving the problems	0.641	3.311				
Technology	Internet banking services	0.839	19.097	0.700	0.785	0.647	2.11
	No difficulties with bank cards	0.768	7.639				
Tangibility	Proper waiting and sitting arrangements	0.901	5.613	0.819	0.887	0.725	2.27
	Necessary modern equipment	0.852	6.514				
	Suitably dressed and neat and clean appearance of employees	0.798	4.136				

Generally, a global fit measure (GOF) was conducted for path modeling, it is defined as the geometric mean of average communality and average R^2 (especially endogenous variables) (Chin, 2010) (see the formula).In this study, GOF value was 0.73 (R^2= 0.73, average AVE = 0.73 for customer perception on bank service Quality). So, the value of GOF exceeded the largest cut-off value (0.36) and it was indicated that the proposed model of this study had better explaining power than that based on the recommended value of GOF_{small} = 0.1, GOF_{medium} = 0.25, and GOF_{large} = 0.36 (Akter et al., 2011).

$$GOF=\sqrt{AVE \times R^2}$$

From table-5 also shows that, all of the T-Statistic is larger than 1.96 at 5% level of significance, we can say that the outer model loadings are highly significant. So, our SEM model is accepted for above evidence in this study.0.613743

Table 6: Factor Analysis (Both Conventional and Islamic Bank)

Factors	Variables	Factor Loading	T-Value	Cronbach's Alfa	Composite Reliability	AVE	VIF
Assurance	Strong knowledge to answer enquiries	0.949	78.897	0.911	0.944	0.849	2.922
	Efficient and fast in service delivery	0.920	42.221				
	Employees are polite and helpful	0.895	34.169				
Empathy	Bank provides convenient service charges	0.888	23.992	0.805	0.879	0.708	1.958
	Staffs have the enthusiasm to understand customer needs	0.837	8.768				
	Bank always informs about new and attractive offers	0.796	8.277				
Reliability	Bank keeps its records accurately	0.920	36.743	0.843	0.906	0.762	1.793
	Safety with all transactions	0.877	27.913				
	Promised deadlines	0.819	12.580				
Responsibility	Regular and effective complaint handling process	0.891	35.455	0.812	0.883	0.715	2.037
	Fast and efficient counter services	0.833	19.174				
	The employee help in solving the problems	0.811	9.626				
Technology	No difficulties with bank cards	0.893	11.347	0.719	0.831	0.625	1.490
	Internet banking services	0.796	9.381				
	ATM service and the machines are installed at proper locations	0.666	3.778				
Tangibility	Proper waiting and sitting arrangements	0.855	14.248	0.808	0.886	0.721	1.570
	Necessary modern equipment	0.848	14.228				
	Suitably dressed and neat and clean appearance of employees	0.844	12.278				

Table 6 shows the factor loadings and cross loadings for different constructs. The correlation between items and factors had higher loadings than other items in the different constructs. The loadings of variables more strongly on their own constructs in the model, greater than 0.7 are considered adequate (Chin, 1998; Fornell & Larcker, 1981; Gefen & Straub, 2005; Henseler *et al.*, 2009). In sum, the validity of measurement model meets the criteria.

Table 7 shows the results of reliability analysis for the instrument. The composite reliability and Cronbach's Alpha had values of greater than 0.719, indicating that the measurement scale used in this study had high internal consistency (Henseler, Ringle & Sinkovics, 2009; Nunally & Benstein, 1994; Sekaran & Bougie, 2010).

Generally, a global fit measure (GOF) was conducted for path modeling, it is defined as the geometric mean of average communality and average R^2 (especially endogenous variables) (Chin, 2010) (see the formula).In this study, GOF value was 0.61 (R^2= 0.516, average AVE = 0.73 for customer perception on bank service Quality). So, the value of GOF exceeded the largest cut-off value (0.36) and it was indicated that the proposed model of this study had better explaining power than that based on the recommended value of GOF $_{small}$ = 0.1, GOF $_{medium}$ = 0.25, and GOF $_{large}$ = 0.36 (Akter et al., 2011).

$$GOF=\sqrt{AVE \times R^2}$$

From table-6 also shows that, all of the T-Statistic is larger than 1.96 at 5% level of significance, we can say that the outer model loadings are highly significant. So, our SEM model is accepted for above evidence in this study.

OUTCOMES OF TESTING DIRECT EFFECTS MODEL

Table 7: Path Analysis (Conventional Banks)

	Original Sample	Sample Mean	Standard Deviation	T-Value	P-Value
ASN- OS	0.136	0.119	0.121	1.124	0.261
EMP- OS	0.092	0.073	0.118	0.781	0.435
REL- OS	-0.002	0.005	0.118	0.015	0.988
RES- OS	0.290	0.302	0.092	3.147	0.002
TCH- OS	0.178	0.192	0.100	1.768	0.078
TNG-OS	0.201	0.215	0.109	1.834	0.067
R-Square	0.380				
R-Square Adjusted	0.338				

Table 8: Path Analysis (Islamic Banks)

	Original Sample	Sample Mean	Standard Deviation	T-Value	P-Value
ASN- OS	0.142	0.148	0.258	0.549	0.583
EMP- OS	-0.324	-0.289	0.296	1.096	0.274
REL- OS	-0.20	0.232	0.171	1.168	0.243
RES- OS	-0.703	0.617	0.243	2.891	0.004
TCH- OS	0.404	0.415	0.132	3.052	0.002
TNG-OS	-0.219	-0.189	0.197	1.112	0.264
R-Square	0.732				
R-Square Adjusted	0.685				

ASN=Assurance, EMP=Empathy, REL=Reliability, RES=Responsiveness, TCH=Technology, TNG=Tangibility, OS=Overall Satisfaction

Table 7 shows the outcomes of direct effect model consist of H1 and H2 for Conventional commercial banks. Firstly, Responsiveness highly significantly related with overall customers satisfaction of Conventional banks in Bangladesh (β = 0.29; t =3.147), therefore H0 was supported for Empathy, Assurance, Reliability, Technology and Tangibility. On the other hand H1 was supported for Responsiveness because their t-value were not higher than 1.96 at 5% level of significance. In sum, this result demonstrates that responsiveness act as important determinants of overall customer's satisfaction of Conventional commercial banks in Bangladesh.

Table 8 shows the outcomes of direct effect model consist of H1 and H2 for Islamic commercial banks. Responsiveness and Technology were highly significantly related with overall customers satisfaction of Islamic Banks in Bangladesh (β = -0.703; t =2.891) and (β = -0.404; t =3.052), therefore H0 was not supported for Assurance, Empathy, Reliability, and

Tangibility. On the other hand H1 was supported for Responsiveness and Technology because their t-value were not higher than 1.96 at 5% level of significance. In sum, this result demonstrates that responsiveness and Technology act as important determinants of overall customer satisfaction of Islamic Banks in Bangladesh.

Table-9: Path Analysis (both Conventional and Islamic Banks)

	Original Sample	Sample Mean	Standard Deviation	T-Value	P-Value
ASN- OS	0.380	0.346	0.130	2.930	0.004
EMP- OS	-0.061	0.055	1.47	0.417	0.677
REL- OS	0.346	0.367	0.100	3.452	0.001
RES- OS	0.038	0.036	0.109	0.354	0.723
TCH- OS	0.114	0.131	0.085	0.1334	0.183
TNG-OS	0.029	0.039	0.108	0.272	0.786
R-Square	0.516				
R-Square Adjusted	0.483				

ASN=Assurance, EMP=Empathy, REL=Reliability, RES=Responsiveness, TCH=Technology, TNG=Tangibility, OS=Overall Satisfaction

Table 9 shows the outcomes of direct effect model consist of H1 and H2 for both Conventional commercial banks and Islamic banks. Assurance and Reliability are highly significantly related with overall customers satisfaction of both Conventional and Islamic bank in Bangladesh (β = 0.38; t =2.93) and (β =0.346; t =3.452), therefore H0 was not supported for Empathy, Responsiveness, Technology and tangibility. On the other hand H1 was supported for Assurance and reliability because their t-value were not higher than 1.96 at 5% level of significance. In sum, this result demonstrates that reliability and assurance act as important determinants of overall customer satisfaction of both Conventional and Islamic bank in Bangladesh.

Table 10: Combined and bank wise level value path co-efficiency

	Combined	Islamic	Conventional
ASN	0.380***	0.142	0.136
EMP	-0.061	0.289	0.092
REL	0.346***	0.232	-0.002
RES	0.038	0.617***	0.290***
TCH	0.114	0.415***	0.178
TNG	0.029	-0.189	0.201

*** $P \leq 0.01$, ** $P \leq 0.05$, * $P \leq 0.10$

From Table-10 It is seen that, for Conventional banks, customer perception is stronger on Responsiveness from the bank employees regarding service delivery. Whereas, in case of Islamic banks, Responsiveness as well as Technology are the two important factors that contribute towards customer perception strongly. Hence, when we observed the two banks jointly, Assurance and Reliability stands as the strongest factors that affect the bank customer perception significantly.

CONCLUSION

Customer perception is a vital factor for the banking sector of a country. As bank is a service oriented sector, its prime focus should be delivering quality services so that customers' perception toward the bank service Quality improves. The main purpose of the study was to find out customers' perception on different aspects of Conventional commercial banks and Islamic banks in Bangladesh. There is no evidence of any research so far related to the above

issue which focused on the comparative analysis on customer perception between Conventional commercial banks and Islamic Shariah-based banks in Bangladesh. The findings of the research should help the concerned authority to increase their service quality, and remove their lacking in the necessary areas. Banks must take more initiatives to provide advanced services to their customers and develop their perceptions towards bank service Quality.

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APPENDICES

Sample Questionnaire

Customer Perception on Bank Service Quality: A Comparative Study between Conventional Commercial Banks and Islamic Banks in Bangladesh

Name: _____

Gender: □ Male □ Female

Age group: □ 18-30 □ 31-45 □ Above 45 years

Occupation: _____

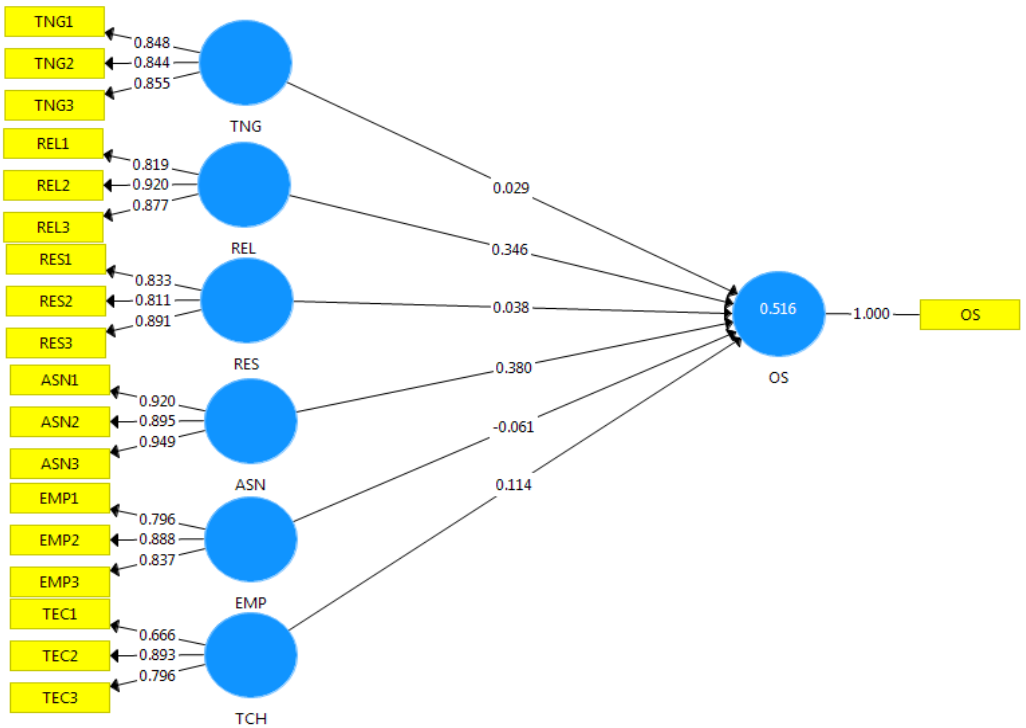
Bank Name: _____

Please select one response from each of the following items.
SD= Strongly Disagree, **D=** Disagree, **N=** No opinion, **A=** Agree, **SA=** Strongly Agree

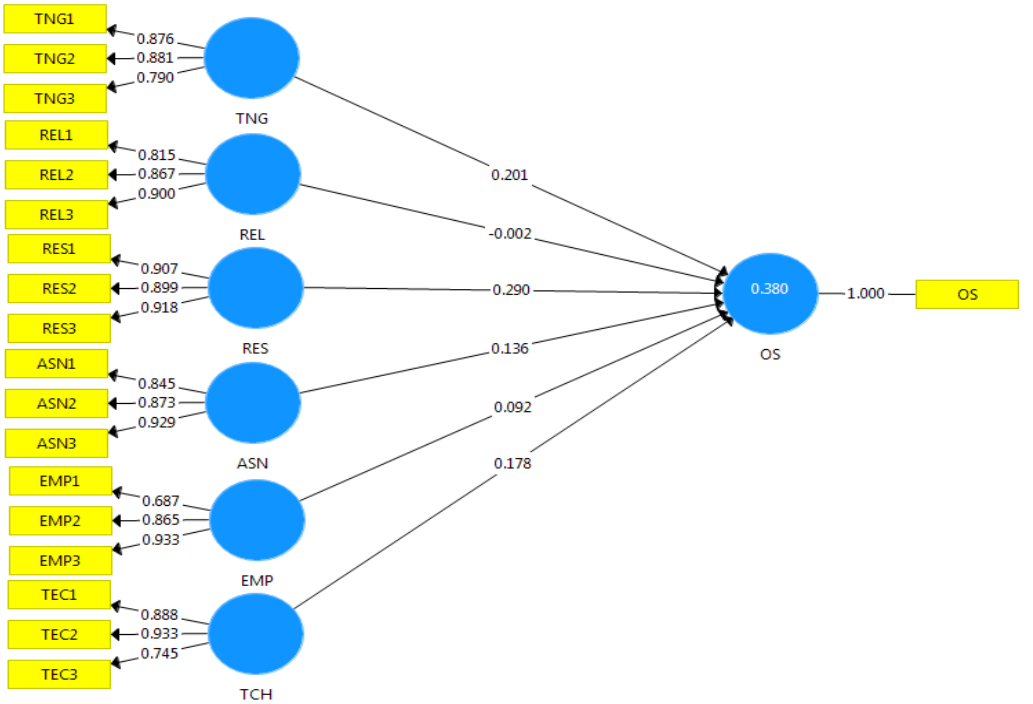
Dimensions	Independent Variables	SD	D	N	A	SA
Tangibility	1. The bank has all the necessary modern equipment	**SD**	**D**	**N**	**A**	**SA**
	2. Employees are suitably dressed and have neat and clean appearance	**SD**	**D**	**N**	**A**	**SA**
	3. Branches have proper waiting and sitting arrangements	**SD**	**D**	**N**	**A**	**SA**
Reliability	1. The bank provides all the services within the promised deadlines	**SD**	**D**	**N**	**A**	**SA**
	2. The bank keeps its records accurately	**SD**	**D**	**N**	**A**	**SA**
	3. I feel safe with all my transactions in the bank	**SD**	**D**	**N**	**A**	**SA**

Responsiveness	1. The bank provides fast and efficient counter services	**SD**	**D**	**N**	**A**	**SA**
	2. Whenever I face any sort of banking problems, the employee help me in solving the problems	**SD**	**D**	**N**	**A**	**SA**
	3. The bank operates a regular and effective complaint handling process	**SD**	**D**	**N**	**A**	**SA**
Assurance	1. the employee are efficient and fast in service delivery	**SD**	**D**	**N**	**A**	**SA**
	2. Employees of bank are polite and helpful	**SD**	**D**	**N**	**A**	**SA**
	3. Employees have strong knowledge to answer enquiries about the offering and the operations	**SD**	**D**	**N**	**A**	**SA**
Empathy	1. The bank always informs me about new and attractive offers	**SD**	**D**	**N**	**A**	**SA**
	2. The banks provides convenient service charges	**SD**	**D**	**N**	**A**	**SA**
	3. Staffs have the enthusiasm to understand customer needs	**SD**	**D**	**N**	**A**	**SA**
Technology	1. Bank provides ATM service and the machines are installed at proper locations	**SD**	**D**	**N**	**A**	**SA**
	2. I have not had difficulties with bank cards of this bank	**SD**	**D**	**N**	**A**	**SA**
	3. The bank offers internet banking services	**SD**	**D**	**N**	**A**	**SA**
Overall Service	I am satisfied with their overall service quality	**SD**	**D**	**N**	**A**	**SA**

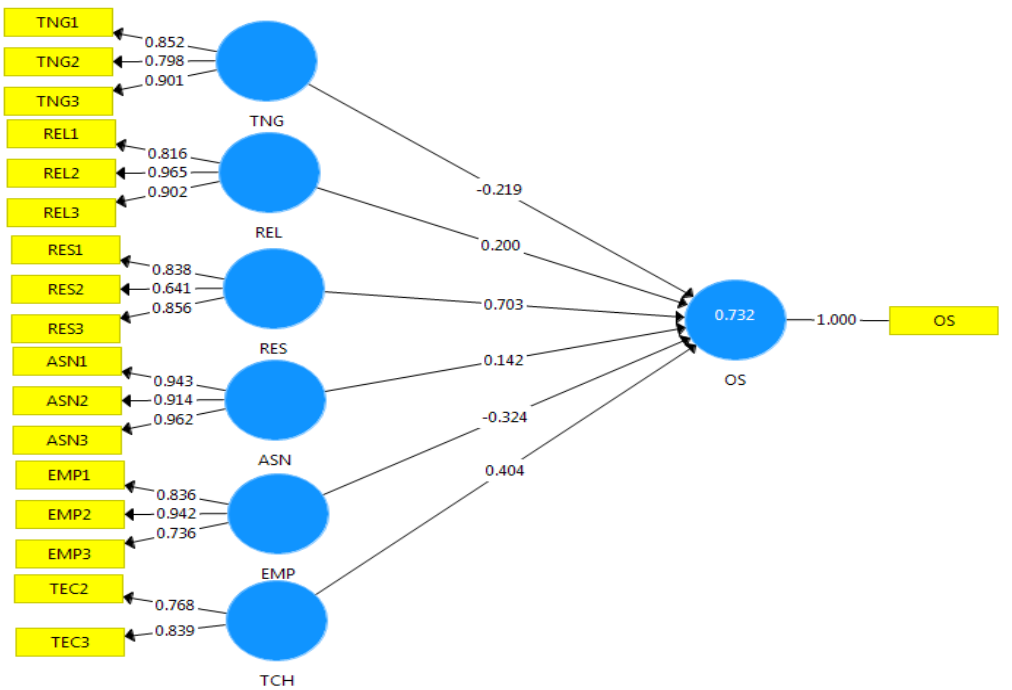
Path Coefficient of Both Banks



Path Coefficient of Conventional Commercial Banks



Path Coefficient of Islamic Banks



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