

CHAPTER 6

FINDINGS AND DISCUSSIONS

6.1 Push Factors

To validate the dimensional construct of service quality, three other dimensions, namely, high interaction quality, the physical environment, and outcome quality were included in the study. Similarly, another multi-dimensional construct, i.e., perceived relative advantage (PRA), which includes the dimensions of price, religion, and social prestige was examined. The results of the study indicate that these constructs are multi-dimensional in nature and are consistent with the findings of earlier studies.

The discussion on the factors of the multi-dimensions of service quality and perceived relative advantage is presented in the sections that follow.

6.2 Service Quality

Service quality is a multi-layered concept and composed of some other elements (Brady *et al.*, 2001; Dabholkar *et al.*, 1996; Grönroos, 1984; Rust & Oliver, 1994). The model indicates that service quality has three significant dimensions, i.e., interaction quality, physical environment, and outcome quality. This model has applicability in various service industries and shows flexibility. Service is considered an intangible construct and can only be measured by observing or getting feedback from the customers. Therefore, this study aimed to seek consumers' feedback on the Islamic banking service. The response of the banking customers determines the service quality, i.e., whether the service of the banks is superior or inferior. In the case of the former, consumers decide to stay with the existing service provider and in the case of the latter, consumers decide to switch the service provider (Chukwuemeka & Agu, 2016). Further,

service quality is the result of expectations that are met and serves as a competitive advantage for organizations (Kotler & Keller, 2006; Parasuraman *et al.*, 2005). The study of Abduh *et al.* (2012) indicates that better performance and customer service of bank staff reduce the chances of customer switching. However, unfavorable service (Chakravarty *et al.*, 2004; Clemes *et al.*, 2010; Mavri & Ioannou, 2008, Vyas & Raitani, 2014), the inability of banks to meet customer expectations (Eappen & Pavithran, 2017), and ineffective information (Pookulangara *et al.*, 2011) may lead to customer switching behavior. In contrast, service quality determines a strong relationship with the customer and result in customer retention (Eappen & Pavithran, 2017). On the contrary, a study on banking conducted in Asia concludes that customers are more concerned about the products at the time of selecting the service provider (Awan *et al.*, 2011). Thus, service quality serves as a significant determinant of a banking service provider (Rama, 2018; Vyas & Raitani, 2014).

The result of this study indicates that service quality has a deep impact on the switching decision of the customers. This is a consistent with the result derived by Clemes *et al.* (2010). The finding of this study also shows that service quality has a positive association with customer switching behavior in the banking sector. The banks as service providers, when choosing to offer quality services to their customers, will be in a position to retain customers (Al-Rousan & Mohamed, 2010), and make the customers loyal (Wong & Sohal, 2003). Hence, if Islamic banks provide quality services to their customers, such a move will result in meeting the customers' expectations and will make these customers loyal to the Islamic bank. This finding is in line with several earlier studies (i.e., Monferrer-Tirado *et al.*, 2016; Juga *et al.*, 2010; Li and Zheng, 2013; Singh & Das, 2013; Sommerville-*et al.*, 2010). Therefore, Hypothesis 1 is accepted.

The construct of service quality adopted in this study is a three-dimensional construct which encompasses high interaction quality, the physical environment, and outcome quality as its multilayered dimensions. The discussion on the three dimensions is provided in the ensuing section.

6.3 Service Quality Dimensions

The construct of service quality included in this study has three sub-dimensions as discussed as in the sections that follow.

6.3.1 Interaction Quality

Banking is a service-based financial industry (Brady *et al.*, 2001), in which customers and bank staff interact over the telephone, through the internet, and face-to-face interaction. The literature suggests that face-to-face interaction is quite imperative (Mustelier-Puig *et al.*, 2018). This interaction enables the relationship between the bank and the customer to grow. Thus, this intangible service has a great influence on the relationship (Brady *et al.*, 2001). However, not many researchers have used the word interaction quality (Grönroos, 1982, 1984; Parasuraman *et al.*, 1985; Wu *et al.*, 2015). Chahal (2010) suggests that, while providing services to the customers, the behavior of the employees is rather critical. Interaction quality has several dimensions, including attitude, friendliness, helpfulness, and responsiveness. Similarly, some other behavioral practices include mood, caring, connecting, responding, substantializing, and embedding (Echeverri & Salomonson, 2017). Such a positive interaction with the customers triggers the customers to reciprocate in a similar fashion (Echeverri & Salomonson, 2017). Additionally, it is also essential for the bank management to equip their employees with adequate knowledge as it is directly associated with a satisfying

interaction with the customers (Brady *et al.*, 2001; Crosby *et al.*, 1990; Spake & Megehee, 2010; Wu *et al.*, 2015). Pirzada *et al.* (2014) and Grönroos (2003) are also in the view that bank personnel must have the required skills and efficiency. On the basis of these arguments, this study empirically examined the association of high interaction quality with switching decisions. The analysis of the collected data indicates that high interaction quality is positively associated with the switch decision. The findings indicate that if the Islamic banking service providers really want to attract and retain their customers, it is essential for these banks to focus on their interaction quality of the service. When Islamic banks provide clear and straightforward information about the products and services to the customers, such move leaves a positive impact on the customers and eliminates the chances of the customer switching to another provider. Therefore, the finding of this study is consistent with the findings of earlier studies (i.e., Echeverri & Salomonson, 2017; Grönroos, 2003; Pirzada *et al.*, 2014; Wu *et al.*, 2015). Hence, Hypothesis H1a is also supported.

6.3.2 Physical Environment

The physical environment is getting due importance day by day for the businesses, diverting the attention of business owners towards the elements that add up in the physical environment and atmosphere of the banks (Kotler, 1973). The environment of the organization is created by the people within the organization, i.e., management and the employees. The environment can be tangible or intangible. Intangible environment is composed of culture, values, and the behavior of the employees, while interacting with the customers. On the other hand, tangible environment refers to the design, structure, furniture, fixtures, and locality of the bank. However, earlier studies indicate that the physical environment (Lehtinen & Lehtinen,

1982; Parasuraman *et al.*, 1985; Shu, 1994) is significantly impacting the customers' switch decision. In consideration of the tangible environment as a significant influencer on the decision to switch banking service providers, this study aimed to evaluate the significance of the physical environment. The analysis of the data collected in this study indicates the opinions of the people of Oman, in which the physical environment is not deemed to be related to customers' decision to switch. One of the reasons behind this finding could be that the customers of Islamic banking services in the country are more focused on the products and services offered by the service provider than the physical environment. Within the Omani context, the focus on products and services supersedes the focus on physical environment because Oman is an Islamic state and the people of Oman follow religion strictly. Therefore, they prefer Islamic banking services over the conventional banks. Thus, the physical environment remains unable to encourage customers to switch banking services. Therefore, Hypothesis H1b is not supported.

6.3.3 Outcome Quality

Outcome quality service refers to the service which is provided to the customer after the products and services are delivered to the customers (Grönroos, 1984). This kind of service is known as outcome quality, which influences the customer's response to the service provider. This notion has also been recognized by Brady *et al.* (2001) who state that outcome quality impacts the perception of the customers about the service provider. Outcome quality is one of the important pillars of the overall service quality. Earlier studies conducted in the mobile communication industry indicate that outcome quality significantly influences the customers' perception of the service provider (Lim, 2006; Wang *et al.*, 2019). However, the outcome quality service requires that the service must first be available to the customers. In case a customer is not satisfied with the

customer service of the service provider, he/she will not use the service by making the switching decision. Thus, it is essential to provide better customer service, which will ensure affirmative outcome quality service. Moreover, outcome quality service is spread through words of mouth by the customers who have already used the services of the Islamic bank, for instance. If the experience is positive, it may influence other customers to use the service. Contrarily, Islamic banking is still in its infancy stage and may find it difficult to provide improved outcome quality to its customers. The analysis of the results shows that the people of Oman are not enticed by the outcome quality to make the switching decision. Thus, Hypothesis H1c is not supported.

6.4 Customer Satisfaction

Customers are essential for any business and enable companies to compete with other rival companies. The literature suggests that it is profitable to retain existing customers than to attract new ones (Chukwuemeka & Agu, 2016). Therefore, banks focus on providing effective customer services to the existing customers, of which move adds to the satisfaction associated with the products and services (Kotler, 2013) of the bank. Further, when the performance of the product matches or exceeds the customer's expectations, a customer tends to experience a satisfaction. Thus, customer satisfaction determines the degree of loyalty of the customer (He & Song, 2009; Huat *et al.*, 2012). In contrast, switching behavior tends to lead to customer defection (Garland, 2002). Earlier studies advocate the association between customer satisfaction and customer loyalty in Islamic banking. However, if a customer encounters low-quality services, such as ATM, internet banking, and staff response to customer queries, this may lead to customers' switching decision (Altwijry & Abduh, 2013; Hussain & Rizwan, 2014). Long term relationships with the customer add to company profits and make customers

loyal (Boerkamp *et al.*, 1997). Hence, customer service becomes a competitive advantage for organizations (Clemes *et al.*, 2010).

The results of this study are consistent with the above literature indicating that when customers are satisfied with the products and services offered, they are unlikely to switch the services. However, in the presence of poor customer service, the customer is likely to switch the service provider. Thus, Islamic banks offering products and services as well as customer services tend to lead to customer satisfaction, and thus, can make the customer switch from conventional bank to an Islamic bank. Therefore, hypothesis H2 is accepted.

6.5 Trust

Trust is a significant feeling experienced by the customers while having a relationship with the service providers. The literature advocates that trust is a significant predictor of behaviors and that trust is required to be maintained (Yousafzai *et al.*, 2009). Trust is an invariable characteristic of the personality and develops a legal framework (Bhattacharjee, 2002; López-Miguens & Vázquez, 2017) for social interaction with others. In addition to individual trust, organizational trust is also important (Diepstraten & Cruijsen, 2017). The literature has shown that financial crisis has an adverse effect on trust, in which it dramatically drops consumers' trust in banks and the financial markets (Guiso, 2010). This tends to reduce trust in banks and the financial markets. This prominent trend in the US has been similarly observed in some European countries, showing a comparative diminishing degree of trust (Knell & Stix, 2015). Hence, the financial crisis tends to reduce trust, which eventually produces further downfall in the financial system. Thus, trust plays a significant role in the progress of organizations. Trust also influences the decision-making process of

individuals (Curran & Saguy, 2013; Lai & Wang, 2015; Peng *et al.*, 2016; Zhou, 2016). When destination bank passes a signal of trust to the customers, customers feel comfortable to make the switching decision. Once the trust is established, it slowly becomes deeply-rooted and may influence the customers to switch from offline to online stores (Lee & Chung, 2009), or to move from online stores to mobile stores of the same trusted organization (Wu *et al.*, 2017).

Islamic banking is in progress in Oman and has been initiated by the Shariah board. Oman is a Muslim-majority country and Islam as religion is given its due importance. Therefore, trust on the Shariah board will make the customers rely on Islamic banking products and services and results in switching the banking service to Islamic banking. Further, being Muslims, the people of Oman trust the Shariah board, which is run per Islamic principles. Similarly, the results of the study also indicate a similar phenomenon, which led to hypothesis H3 being accepted.

6.6 Pull Factors

The pull factors are discussed below.

6.6.1 Perceived Relative Advantage

Perceived relative advantage is a source of advantage to be yielded by the customers in lieu of making a decision. It serves as an attraction for the customers in accepting the service of the Islamic banking service system. Thus, the relative advantage is a significant antecedent of the rate of adoption (Sadiq & Shanmugham, 2003). A clear relative advantage offered by Islamic banking may become a source of motivation for Muslim and non-Muslim customers alike. This relative advantage can be financial or non-financial in nature (Haque *et al.*, 2007). From the customers' point

of view, these may be economic profitability, the immediacy of reward, savings in effort and time, social prestige, decrease in discomfort, and low initial cost. Therefore, while deciding to switch from one service to another, one will always consider the benefits offered by the bank (Dusuki & Abdullah, 2007). Usually, in Islamic banking, the behavior of customers in terms of religion is divided into positive and negative avoidance. For example, when religion is associated with some motivational factors, it leads to more activities of consumption, such as rejecting or accepting the Islamic banking system.

The basis of Islamic banking was established on the guidance of the Islamic principles to implement and materialize economic condition. The perceived relative advantage of Islamic banking is comparatively higher among religious groups. Thus, the perceived relative advantage of Islamic banking lies in its ethical and moral features (Aziz, *et al.* 2015). A study conducted by ul Hassan (2007) concludes that for Muslim customers, it is more advantageous to follow a permissible and legitimate return on investment. The study of Ezeh and Nwankwo (2014) also predicted that there is no significant difference in the perceptions of the relative advantage of Islamic banking by the customers. Another study conducted by Ugwu *et al.* (2015) shows that most of the customers rated the perceived relative advantage of Islamic banking as high. The result of this study is also consistent with the result of earlier studies, and thus, endorses the earlier findings. Perceived relative advantage of Islamic banking has been successfully appreciated by the customers. Therefore, hypothesis H4 is supported.

6.6.2 Perceived Relative Advantage Dimensions

The following subsections discuss the perceived relative advantage dimensions.

6.6.2.1 Price

The study of Keaveney (1995) indicates that price influences switching behavior and most customers consider pricing and other related factors, such as fees, charges, surcharges, penalties, service charges, price deals, price promotions, or coupons while making the switching decision. Applying the same to the banking sector, Gerrard and Cunningham (2004) as well as Colgate and Hedge (2001) conducted their studies and confirmed that price was influential for switching behavior. In contrast to other studies of the same nature, this study was conducted in an Islamic country, i.e., Oman with Muslim majority. This study produced different results in which price was found to not influence the decision to switch among the customers. This may be because the Muslim community is more concerned about Shariah compliance and Islamic principles. Further, Muslim customers are willing to adopt Islamic banking services without a focus on pricing. Therefore, hypothesis H4a is not supported.

6.6.2.2 Religion

Islamic banking follows the Islamic principles and emphasizes the establishment of appropriate and influential Shariah Board to execute its Islamic banking on a day-to-day operations (Rahman *et al.*, 2017). Further, Rezwan and Shabnaz (2015) and Ashraf (2014) conclude in their study that religion significantly and positively influences the degree of customers' satisfaction, which tends to enhance customer loyalty.

Moreover, being a Muslim country, the people of Oman feel satisfied to use the product and services of the Islamic banks. This will not only make the customers emotionally satisfied by following the Islamic way of banking, but this will also refrain the customers to deal in *riba* (interest), which is strictly prohibited in Islam. Lastly,

Islamic banks will be preferred by the customers because it will strengthen their *eimaan* (faith) to be good practicing Muslims. Based on these rationales, hypothesis H4b is supported.

6.6.2.3 Social prestige

Another pulling factor of this study was social prestige, according to which people will make the switching decision towards Islamic banking as a part of status and prestige. The literature suggests various sources of social prestige, out of which one was adopted as Islamic banking. Social prestige becomes a source to perceive oneself as superior or inferior to others (Sedikides & Guinote, 2018). Social prestige measures the social value by possessing certain traits or things (Sauder *et al.*, 2012). Various forms of social prestige exist within the society, which have been discussed in detail in the literature review chapter of this study. The results of this study indicate the choices of the people of Oman, where it has depicted that switching decision towards Islamic banking is not a matter of social prestige for them; rather, it is a preference. Also, the findings show that being a Muslim country, its people are already willing to adopt Islamic banking instead of considering this as a matter of social prestige. Hence, the switching decision towards Islamic banking is not considered as part of social prestige, but a priority by the customers. Thus, hypothesis H4c is not supported.

6.7 Direct Relationship Of Mooring Factors

The direct relationship of the mooring factors is discussed in the following subsections.

6.7.1 Switching Cost

Switch cost plays a significant role in determining customers' switching decision (Clemes *et al.*, 2010; Murad, 2011; Ramaiyar & Jayalaksh, 2012). According to the study by Christoph *et al.* (2014), switching costs are perceived as an added cost, which serves as a disadvantage to terminate the current relationship. Earlier literature has divided switching costs into financial and non-financial. Financial costs include monetary risks associated with opting for a new service provider, while non-financial costs include psychological costs, such as uncertainty, loss of a relationship, social bonds, and other procedural costs (Edward & Sahadev, 2011). Switching cost-related factors serve as a barrier to switch and this has also been endorsed by Al Ghammari & Ahmed (2017). Thus, a higher switching cost has a negative impact on the customers' switching decision. In contrast, higher switching costs may also serve as a customer retention tool for the banks. Further, numerous times these switching barriers may also be used as a marketing strategy to prohibit the customer from switching to other organizations (Trubik & Smith, 2000). The results of this study are in line with the earlier findings, in which higher switching costs retain the customers and in contrast, low switching cost makes it easy for the customers to switch the banking service. The results of the study comply with the earlier findings, hence, hypothesis H5 is accepted.

6.7.2 Complexity

Another mooring factor included in this study was complexity, which refers to the complexity of procedures, and the features of products and services offered by Islamic banking. The literature suggests that the higher the complexity of a product or service offered, the lower will the switching decision be (Fazlan & Mohammad, 2007).

Usually, Islamic banking products are considered as complex in terms of its banking

principles and procedures (Aziz & Afaq, 2018). In addition, the products and services that Islamic banks offer are new to the market and are not common in nature, thus makes it difficult for the consumers to understand the products and services, whereas easy banking products become a source that attracts customers. Complexity is defined as the degree to which the product or service has been perceived as difficult to understand. Additionally, the attitude of the customers and social influence also help in predicting the behavioral intentions to adopt the new facility offered.

Islamic banking involves Shariah principles that involve *Salam*, *Ijarah*, *Murabaha*, and *Musahariqa* as its products. The results of earlier studies (see Gumel & Othman, 2013; Yahaya *et al.*, 2016) indicate that complexity influences the switching decision of the customers. Similarly, other research studies also confirm that complexity can significantly impact the switching of products and services. Consistent with the earlier studies and their findings, this study also confirms that complexity stands as one of the significant predictors of decision to switch for the people of Oman. Thus, the result is in line with the earlier findings and hence, hypothesis H6 is supported.

6.7.3 Locked-in

The literature identifies locked-in as a desire to be with the same retail bank and maintain this relationship (Colgate *et al.*, 2003; Misbah, 2014). Under the condition of locked-in, people feel that they prefer to stay with the current service provider. The literature further debates that under locked-in, service providers develop a situation under which a customer feels bound to carry out his/her social relationship with the service provider. This locked-in situation further enables the customer to not switch the service provider (Harrison *et al.*, 2012). The literature advocates that if the organizations follow these relationship-oriented activities, this will produce a locked-in situation for

the customers (Liu, 2006) over a long period. This also helps organizations to retain their customers.

In contrast, locked-in is also considered as one of the switching barriers that prohibit the customers to switch their banking service. In the case of banks, if they like to retain customers (Listyarini, 2009), banks should focus on establishing switching barriers, and one of them is locked-in. As per the literature, locked-in includes various factors, such as clearance of the existing loans, fees, interest, and new life insurance. In Oman, a loan is granted against the main account of the customer. Hence, the customer needs to clear all the loans taken against that main bank account (normally salary account) before switching to another bank (Al Ghammari & Ahmed, 2017). A banking customer in Oman thinks it through before making any switching decision to Islamic banking. Further, higher feelings of locked-in serve as a barrier to switching the service provider. Hence, the result of this study confirms with those of Al Ghammari and Ahmed (2017) as well as Listyarini (2009) whose studies have shown that locked-in has a significant impact on the switching decision. Thus, hypothesis H7 is supported.

6.7.4 Apathy

Apathy is one of the emotional responses in reference to lack of emotion, interest, feeling or concern. The literature describes apathy as a state of indifference, in which consumers experience cognitive dissonance to make a decision. This means that under the emotional condition of apathy, consumers may like to switch the banking service, but may not choose to practically switch do so. Thus, apathy makes customers pessimistic and they will not take further steps for switching the service. Many people refrain from switching the service, considering it as not financially worthwhile or deeming the new service merely similar to the service of the old bank (House of

Commons Treasury Committee, 2011). Also, many customers of existing banks believe that all the banks are alike (Colgate & Lang, 2001), i.e., conventional and Islamic banks.

Apathy is hard to be observed in the customers unless the symptoms of apathy become severe or prominent. In such scenario, it influences people's social life, job, interests, and other parts of life. Customers with apathy tend to lose their interest in the social, emotional, spiritual, and physical dimensions of life. Such individuals experience uncertainty and lethargy in life, dominated by a feeling that they lack essential skills to meet the challenges arising from the changing dynamic field of the banking sector. Individuals experience apathy in their lifetime with a natural response of disappointment and rejection. However, being a Muslim majority country, Islamic banking products and services as well as procedures are understood by the customers in Oman. Thus, customers do not experience the feeling of apathy. Therefore, the results of this study indicate that the people of Oman do not feel apathy. Hence, there is no influence of apathy in the switching decision. Hypothesis H8 is thusly not supported.