A Comparison of Empathy Dimension between the Cooperative Bank and Islamic Bank of Britain: Customers Perceptions

Daing Maruak Sadek[1,*], Azyyati Anuar[2] and Ahmad Fauzi Yahaya[3]

[1]Center of Islamic Teaching and Understanding, Universiti Teknologi MARA(UiTM), Malaysia.
[2]Faculty of Business and Management, Universiti Teknologi MARA(UiTM), Malaysia.
[3]Language Studies Department, Universiti Teknologi MARA(UiTM), Malaysia.

ABSTRACT

Describes a study performed in Leicestershire, United Kingdom to develop a reliable and valid scale for the measurement of the perceived service quality of bank services. The Cooperative Bank (CB) and Islamic Bank of Britain (IBB) which located in Leicester, UK. The location has been chosen as a sample for the research field study. A sample of retail banking customers in the Cooperative Bank and Islamic Bank of Britain was surveyed through a questionnaire. The proposed scale is called SERVQUAL and comprises 33 items named 'CARTER' with six dimensions (Compliance, Assurance, Reliability, Tangible, Empathy and Responsiveness), which customized for suitability of The Cooperative Bank and Islamic Bank of Britain. The Cooperative Bank and Islamic Bank of Britain were chosen because the both of banks is identified to have a different operational principles as compared to other conventional bank in the UK. The Cooperative Bank is recognized and operated its businesses according to the ethical values, while Islamic Bank of Britain has a similarities feature, where the business is run on Islamic Law. In this research the empathy dimension was chosen and will be analyzed to find its similarities in mean value and ranking for IBB and CB. The data gathered, which were derived from customers of The Cooperative Bank and Islamic Bank of Britain through questionnaire and was analyzed by using SPSS. The mean value of each banks will be compared in term of their perception in the given issues. The results indicated that the similarities were found in CB and IBB in the empathy dimension with the same ranking (1) in item of Confidence in banks management, on the other hand the similarities in the mean value also found with CB occupied the mean value 3.47 while IBB at 3.48.

Introduction

The banking sector has been expanding in the recent years. With the ongoing forces of globalization, there are few services that had been created in the banking sector in order to satisfy the customer needs. These new innovations include the usage of credit cards, ATM, and many more. All these services are aim to attract more new customers and meet customers' needs and demands. As a result, they have to compete with each other in order to win over the customer's heart. Moreover, customers are well aware on the importance of quality service in banking sector. They are not only concern about the services provided but also pay more attention to the quality. So, the urgent need for the banks to improve the quality in their services is vital.

Basically, defining quality in services might be difficult due to the intangible nature of the service offering. Many of the research on service quality have been carried out within the framework of the service quality model developed by the extensive research of Parasuraman et al. (1985, 1988). Quality is the means by which the firm sustains its position among competing offers over time. Quality is how the offer gains uniqueness and value in the eyes of the customer. Quality is both the act of making the offer different and its evaluation by customers (Christopher et al., 1991). Two quite distinct meaning of quality are relevant in the service context. The first of these relates to the attributes which help to define the nature of a particular service, and the second usage is a qualifier in assessing or measuring such an attribute (Nightingale, 1986). Nightingale (1986) and Brown et. al. (1989) stated that quality lies on the eyes of the beholder. So different people will hold a different perception towards the attribute of a service, and regard different service characteristics as more or less desirable.

Customers expect certain things, and if the organization fails to meet those expectations, they will be dissatisfied. The only way for the organization to keep high level of customer's satisfaction and still operate efficiently is to master the art of an optimum level of performance that ensures that expectations are consistently met. Parasuraman, Zeithaml and Berry (1991) describe the problems as the extent of discrepancy between customer's expectations or desires and their perceptions of the quality of the service. The means by, which customer expectations are generated include word of mouth communication, personal needs, experience and external communications that influence customers' expectations.

Cronin and Taylor (1992) cited that customer satisfaction and service quality are distinct but interrelated concept but this relationship is not clear. According to Nightingale (1986), there must be an understanding between the service provider and customer because they are the one who will design the service and product. He also believed that there are four reasons why they keep on disappointing their customers. First, management perceptions of quality of service frequently differ from the perceptions of customers, colleagues, and staffs especially in

times of rapid and extensive change. Second, managers often failed to realize this when it happened. Third, it was difficult for managers to maintain a realistic picture of quality of service being achieved by a unit or department, hour by hour and day by day. And fourth, managers may not fully appreciate the importance of their role as facilitators in helping to maintain service quality by providing advice, information and resources.

Nightingale (1986) also added that managers often have wrong perceptions of customers' quality standards which are inappropriate for their existing clientele. The managers must be alert about what their customers expect to avoid mismatch that lead to dissatisfaction. Allred and Addams (2000) found that the number of service providers who understand their customers' expectations and consistently provide quality process is small. Even smaller is the number of service providers who have a strategy for retaining customers.

Nobody said that great service would be easy, but it is worth it. Excellent service is the quintessential way to differentiate companies from their competitor, (especially in banking sector), to build a long term relationships with employees and customers, to create real value instead of competing on price, to inspire employees to do better work and to generate substantial increases in profit.

Service quality dimensions are the attributes those contribute to customer's expectations and perceptions of service quality. These are the attributes of service that are important to the customer and contribute significantly to their quality assessment. Knowledge of these dimensions will lead to improve service quality in the future.

There are many researchers that tried to develop valid and distinct measures of service quality due to the rise in service development in the last few decades. Parasuraman et. al., 1988 refer to concept of service quality as a multidimensional phenomenon which requires multi- item measures from the dimensions as below:
• Tangibility: The appearance of physical facilities, equipments, personnel and communication materials.
• Reliability: The ability to perform the promised service dependably and accurately.
• Responsiveness: The willingness to help customers and provide prompt service.
• Assurance: The knowledge and courtesy of employees and their ability to convey trust and confidence.
• Empathy: The provision of caring, individualized attention customers.

The most widely used instrument for assessing SQ is SERVQUAL, an instrument developed by Parasuraman et al. (1985, 1988, 1990, 1991, 1993, and 1994). They developed an instrument to assess service quality that empirically relied on the difference in scores between expectations and perceived performance.

This paper, thus, attempts to compare the empathy dimension in a conventional bank (the Cooperative Bank) with an Islamic Bank (Islamic Bank of Britain). These two banks are chosen because they have their own privileges and characteristics. The Cooperative Bank has its own ethical policy, but as a conventional bank, The Cooperative Bank is allowed to receive and charge interest. Islamic Bank of Britain, on the other hand, is the first UK stand alone sharia'h compliant bank, therefore it is prohibited in charging or receiving interest. Consequently, all the account and services are founded on mutually agreed share of profit (profit-sharing). These characteristics becomes more interesting in the search on how

these two kind of banks differs its operation in order to give the best quality of services to their customers.

Method

Hypothesis Development
Given the preceding discussion, the following hypotheses are proposed:

H0: There is no significant difference between empathy dimensions for the Cooperative Bank (CB) and Islamic Bank of Britain (IBB).

H1: There is a significant difference between empathy dimensions for the Cooperative Bank (CB) and Islamic Bank of Britain (IBB).

Research Design
The study can be categorized as a descriptive and inferential in nature whereby it describes the level of service quality of two banks, The Cooperative Bank (CB) and Islamic Bank of Britain (IBB) and the location in Leicestershire, United Kingdom. This was done by using the SERVQUAL instrument in which customer's perceptions of CB and IBB service performance were compared. The questionnaires were distributed to the respondents concurrently and must be returned to the researcher within certain time frame. This is to ensure the accuracy and precision of the responses.

Generally, this study will be carried out at United Kingdom which located in Leicestershire. To be specific, the whole research will be based on data gathered from two banks The Cooperative Bank (CB) and Islamic Bank of Britain (IBB) that are located in the city of Leicester, UK.

Data Analysis Method
Data Collection Method
The study was conducted by using a combination of primary and secondary data. The primary data were collected to identify the specific objectives and collected via questionnaires. At the beginning of this study, secondary data were collected in order to come up with the research ideas.

Secondary Data Sources
Secondary data were collected from the library research such as online journals, newspapers articles, books and websites which related to this study.

Primary Data
The primary data was collected through survey on the target population, which comprised by customers of Cooperative Bank and Islamic Bank of Britain in the city of Leicester, United Kingdom. Questionnaires were distributed to any customers who are account holders in CB and IBB in order to get the required data.

Sampling Design
For the purpose of this study, convenience sampling which comes from under the non probability sampling was used. Respondents were selected among those customers who are account holders of CB and IBB. This method was chosen because it is simple and less costly. However, the researcher tried to get the appropriate data by distributing to customers of IBB and CB. Researcher distributes 100 questionnaires for each bank. However, the researcher only managed to get 69 respondents over 100 respondents from CB's customers. On the other hand researcher gets 75 respondents from IBB customers.

Questionnaire Design
In collecting the primary data, structured questionnaires will be distributed to the customers in The Cooperative Bank and Islamic Bank of Britain located in Leicestershire. The questionnaire will be distributed to 100 respondents from each bank.

The questionnaire used in this study consists of structured, close-ended questions requiring respondents to give fixed responses. The questionnaire (see appendix A1) was divided into two sections as follows:

● Section 1 The personal details of sample respondents

● Section 2 The Perception Level of Service Quality in CB and IBB.

Section 1 will covered the personal details of sample respondents, and section 2 consist of 33 questions/statements from '**CARTER**' model which were customized to suit the CB and IBB. However, further refinement from qualitative study commissioned to establish quality service standard (quoted by Avkiran, 1994) were used in reviewing the suitability of the original SERVQUAL instruments to CB and IBB. Each statement was evaluated on a five-point Likert scale starting from 1- Strongly Disagree to 5- Strongly Agree.

Results

This section presents the findings of this study. The data are interpreted using the frequency, counts, percentage and mean of SPSS.

Demographic Profile

The result of the demographic profile shows that majority CB customers is between 23 and 35 with 36.2 percentage of the total respondent. The second position of age is between 35 and 45 with 33.3 percentage of the total respondent. Interestingly, 2.9 percentages of accountholders is a young teenager bellow the age of 18. On the other hand, majority of IBB customers is between the age of 25-35 with 40 percentage and the second highest rank falls between the age of 35- 45 with 30.7 percentage. And young person aged between 18-25 contributes to 26.7 percentage of the respondent. This can be implied that the age of customers for CB is on average from below 18 to above '65, and the customers in IBB is between 18 to above 65.

Ranking Analysis

Table 3.1

Dimensions		Items	Average importance (IBB)	Ranking- IBB	Average important (CB)	Ranking-CB
Empathy	1	Bank location (Easy to getting to the bank)	3.49	3	3.70	2
	2	Well known bank	3.17	8	3.53	3
	3	Bank size in assets capital	3.32	7	3.31	7
	4	Parking available	2.96	9	2.71	8
	5	Confidentiality of bank	3.77	2	3.50	4
	6	Confidence in banks management	3.80	1	3.74	1
	7	Products and service profitability	3.45	5	3.53	3
	8	Lower service charge	3.39	6	3.49	5
	9	Provisions of financial advices	3.48	4	3.48	6

After analyzing the differences in mean values specifically in empathy its establishing most preferred items in customer preferences in relation to service quality, comparing the ranking of the mean value is also important, as it provides an understanding how the customer rank the priorities of the items in empathy. Such prioritizing can render further meaning between the banks.

Referring to table 3.1. the highest item which preferred by customers is listed to item Confidence in banks management ranked (1), the similarities found in CB and IBB where the banks occupied the same ranking (1) with IBB mean value 3.80 and CB 3.74.The similarities of mean value also found in Empathy for the item Provisions of financial advices in IBB and CB with the same mean value at 3.48. In conclusion the highest and the lowest items was listed to find out which items are more preferred on customers heart and which items is less appreciated by customer in empathy dimension.

Testing the Significance of Empathy Dimension Through ANOVA Analysis

Table 4.15. ANOVA test results for Empathy

Anova: Single Factor						
ANOVA						
Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	1.242647	1	1.242647	0.06635	0.797122	3.911794
Within Groups	2509.632	134	18.7286			
Total	1.242647	135				

Since the P-value is greater than the critical values (0.797122 > 0.05), the null hypothesis is accepted and H_1 is rejected. This means that the difference in the mean value between the customer sets of each bank is statistically insignificant, and hence the mean values are accepted to be similar. This is evidenced from the ranking analysis, as the assigned priories and ranking in the fifth dimensions (Empathy) shows great similarity between the customers of both the banks.

As regards to coefficient of determination,

$$R^2 = \frac{BetweenGroupSS}{TotalSS} = \frac{1.24}{1.24} = 1$$

To support the previous results, the results for coefficient of determination indicate that 100% of the variability in attitude of the customers is explained by bank differences.

Discussion

Firstly, IBB tends to only attract loyal customers, which are mostly Muslim customers that are quite strict to adhere Islamic teaching. On the other hand, Cooperative Bank has more various customers. Most of them choose Cooperative Bank for its consistently ethical operation and the attitude of the bank to support businesses in (No financial support for countries and companies with poor human right record).

Therefore, in comparison of the empathy dimension, the result shown both bank customers perceived similarly in terms of the level of services provided either by IBB and CB. Both banks are successful in providing the empathy dimensions that can be one of the reasons to attract the customers to use their services. Although different customer religious background both have similar perceptions towards the IBB and CB.

Conclusion

From the findings, it can be concluded that there is no difference of empathy dimension perceptions between the IBB and CB customer. At this point, one should not underestimating the level of services especially IBB although this bank is still new in the industry as compared to the CB as a full fledge bank in Britain. It will be a good start for the new comer to understand the service requirement by the customer especially on the empathy dimension.

	Strongly Disagree				Strongly Agree
A. Compliance					
1) Run on ethical policy	1	2	3	4	5
2) No investment on environmentally harmful business	1	2	3	4	5
3) No financial support for countries and companies with poor human rights record	1	2	3	4	5
4) Customer oriented financial services	1	2	3	4	5
5) Provision of all conventional banking and financial products	1	2	3	4	5
B. Assurance					
6) Politeness and friendly staff	1	2	3	4	5
7) Provision of financial advice	1	2	3	4	5
8) Interior comfort of The Cooperative Bank	1	2	3	4	5
9) Ease of access to account information	1	2	3	4	5
10) Knowledgeable and experienced management team	1	2	3	4	5
C. Reliability					
11) Convenience (Short time for service anywhere)	1	2	3	4	5
12) Wide range of products and services provided	1	2	3	4	5
13) Security of transactions	1	2	3	4	5
14) More tills open at peak time	1	2	3	4	5
D. Tangible					
15) External appearance	1	2	3	4	5
16) Speed and efficiency of transactions	1	2	3	4	5
17) Opening hours of operations	1	2	3	4	5
18) Counter partitions in Bank and its branches	1	2	3	4	5
19) Overdraft privileges on current accounts	1	2	3	4	5
E. Empathy					
20) Bank location (Easy to getting to the bank)	1	2	3	4	5
21) Well known bank	1	2	3	4	5
22. Bank size in assets capital	1	2	3	4	5
23) Parking available	1	2	3	4	5
24) Confidentiality of bank	1	2	3	4	5
25) Confidence in banks management	1	2	3	4	5
26) Products and service profitability	1	2	3	4	5
27) Lower service charge	1	2	3	4	5
28) Provisions of financial advices	1	2	3	4	5
F. Responsiveness					
29) Knowledge of customers business or willing help	1	2	3	4	5
30) Way staff treat customers	1	2	3	4	5
31) Availability of credits on favourable terms	1	2	3	4	5
32) Branching	1	2	3	4	5
33) Fast and efficient counter services	1	2	3	4	5

As for the recommendations, the results indicate some weakness of both the banks in their service quality as perceived by the customers. Therefore few of recommendation are attempted, which may contribute to the improvement of quality and maintain the service quality in IBB and CB.

Islamic Bank in the short run may enjoy the captive market, which is Muslims as loyal customer. Since almost of the respondents are interested to use its service and financial product from religious motive. However, this benefits need to be constantly increased by enhancing their quality services, otherwise the existing customer may distrust and withdraw their investments to other banks. It is good starting points that the customers consider the staff of IBB are friendly and polite. In the future, they need to be trained so that they more engage with the customer's needs, more willing to help and closely observe the customer desires. Only by knowing customer best, they may construct policy and strategies to increase their service. CB needs to maintain its ethical value since this may be the distinct corporate identity, which differs to other conventional banks. This is very imperative since it will find difficulties if have to compete with the superior banks. It is so since their asset and capital is limited so that they cannot improve physical services by expanding more branches, for instance. In this stage,

strengthening corporate identity by keeping closer with ethical values will be valuable strategy to attract customer.

Future research should be conducted with a big number of respondents to ensure the representative and conclusive finding. Secondly, the researcher only used two sample of bank in his research, and recommended to the future research need to increase a number of banks to obtain the good result. Lastly, any research on measuring the awareness of service quality among employees will be a great help in order to explain the service standard.

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Appendix 1: Questionnaire.

A study on customer perception of service quality in the banking sector: the case for cooperative bank, uk MIHE, Loughborough University

Section A. Personal profile:

Please tick the answer that best suits you.

1. Age

Zbelow 18 □ 18-25 years □ 25-35 years □ 35-45 years □ 50-65 years □ above 65 years

2. Gender

□ Male □ Female

4. Ethnic Origin

(This is not necessarily the same as your nationality or citizenship)

□ Bangladeshi

□ Indian

□ Pakistani

□ Any Other Asian Background

□ Other (Please Specify) ……………………………………

5. Educational Qualification

□ Under GCSEs □ GCSEs/'O' Level

□ 'A' Level/equivalent □ Diploma

□ Graduate   □ Masters

□ PhD/Post Doctoral

□   Other   Professional   Qualification   (Please specify)………………………

6. Profession

□ Education □ Business

□ Service   □ Housewife/Househusband

□ Other, please specify……………………

7. Status of Employment

□ Employed   □ Self-employed

□ Unemployed   □ Retired

□ Student.

Section B: Service Perception

This survey aims to measure customers' opinions towards Service Quality in Cooperative Bank, UK (**CB**). Please show the extent to which you think **CB** possesses the following features. Please indicate the extent to which you agree or disagree with the statements below by **CIRCLING** the appropriate number against each statement.

1: strongly disagree 2: Disagree 3: Neutral   4. Agree 5: Strongly agree

Thank You for Your Time and Cooperation!