# SERVICE QUALITY AND PATRONAGE INTENTION IN ISLAMIC BANKING AMONG GEN-Y

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**Abstract**

*The goal of this study is to identify the interrelationships between service quality, customer satisfaction, service attitude, and patronage intention among Gen-Y customers in Islamic banking sector. The study also aims to identify the most important attributes of service quality in Islamic Banking, which can be used to evaluate the characteristics of banking service quality as perceived by customers. A sample of 351 Gen-Y Islamic banking customers was identified particularly in Klang Valley. The service quality model tested in this study is based on SERVQUAL model by Parasuraman et al. (1985) based on five dimensions (i.e. tangibility, responsibility, reliability, assurance, and empathy). The results of this study signify that the SERVQUAL dimensions (except responsiveness) show positive relationships with patronage intention. Empathy is key success factor in the Malaysian Islamic banking sector. In addition, the establishment of higher levels of service quality Islamic banking will lead customer to have a high level of service attitudes and satisfaction, and these subsequently lead to loyalty of Gen-Y customers to Islamic banks. Therefore, this study validates the applicability of the SERVQUAL model for measuring service quality of Islamic banking sectors in Malaysia. Hence, Islamic banking industry practitioners can consider this instrument as a tool to assess and help improve their service quality especially among Gen-Y customers.*

*Keywords: Service Quality, Customer Satisfaction, Service Attitude, Patronage Intention, Gen Y, Islamic Banking Industry*

## 1. INTRODUCTION

Service quality (SQ) is fast becoming an important determinant of customers' choice of patronage in the market place. Meeting customers' demands through delivering quality oriented services is a vital part of operational activities of today banking industry. This is because consumers all over the world have become more quality conscious and customers' requirements for higher quality service have been on the increase in the recent past (Lee, 2005). In fact, today's customers are now demanding and knowledgeable about the ways they want to be served and even prepared to challenge any firm whose services fall below expectations.

In recent years, banking customers are becoming less loyal and increasing the number of banks they use (Ernst & Young, 2012). The report of year 2012 reveals that the overall proportion of customers planning to change banks has increased from 7 to 12% since 2011 (Ernst & Young, 2012). Customers prefer online channels for simple transactions, but they also demand high quality, personal service for more complex transactions and advice. The survey results show that pricing and SQ are critical for gaining customer satisfaction.

In Malaysia, Islamic banks and conventional banks operate side by side. The challenge is for these financial institutions is to handle a large number of customers from a diverse age group (such as Gen-Y and retiree), which each of them have their own unique different preferences and experiences in the banking environment. In spite of the criticality of SQ in banking system, limited efforts have been made to explore the perceived SQ by Gen-Y customers in Islamic banking industry. A report conducted by Pricewaterhouse Coopers (2010) revealed that Gen-Y group makes up approximately 62% of the Malaysia workforce in 2009. Gen-Y or referred to as 'the millenials' by Kotler and Armstrong (1999) are the most financially strapped and facing high unemployment and burdened with more debt (Kotler et al., 2016). However, they make up a large and attractive market because of their numbers. Hence, providing SQ which will satisfy the Gen-Y customers is a considerable task. By understanding Malaysian Gen-Y habit in service preferences, this study expect that we can see a rough pictures of theirs saving and spending habits as they will have more income joining the workforce.

Therefore, this shortcoming motivated this study to examine the level of SQ perceived by the Gen-Y customers in Islamic banking institutions. In addition, this study attempts to derive the instrument dimensions of SQ through the SERVQUAL model to consider the Islamic banking institutions context, and develops a research model to examine how service attitudes and customer satisfaction mediate the relationship between SQ and patronage intentions.

## 2. ISLAMIC BANKING INDUSTRY

Islamic banking industry in Malaysia is a dynamic industry that is widely regarded as a competitive alternative to conventional financing solutions. Islamic banking now comprises 20% of the total banking sector, complemented by a vibrant Islamic capital market, where 55% of outstanding domestic private debt papers are *sukuk*, representing the largest volume of *sukuk* issuances globally (Mohd Zin et al.,

2011). Amid the rapid growth of the industry globally, Malaysia has been at the forefront with total Islamic asset accounting for nearly 13% of the global Islamic finance industry (Ernst & Young, 2013).

The first Malaysian Islamic bank, Bank Islam Malaysia Berhad was established under the Bank Act 1983. In 2004, the Malaysian Government has issued three licenses for international banks to operate as full-fledged Islamic banking institutions. Today, there are 11 Islamic banks under the Islamic Banking Act 1983 and eight dual-window banks under the Islamic Banking Scheme are offering Islamic banking products and services in Malaysia. In implementing a dual-window banking system, the Islamic banking system must operates in parallel with the conventional banking system (BNM, 2011). These institutions however, are required to separate the funds and activities of Islamic banking transactions from that of the conventional banking business to ensure that there would not be any co-mingling of funds (BNM, 2015).

Islamic banking is governed by the *Shariah* (Islamic Law), sourced from the Quran and the Sunnah, which are followed by the consensus of the jurists and interpreters of Islamic law. According to *Shariah*, any predetermined payment over and above the actual amount of the principal (i.e. interest) is prohibited (Mohd Zin et al., 2011). This practice (known in Arabic as *Riba*) is the antithesis of Islamic finance because Islamic law, from the beginning, has categorically denounced it. Money has never been perceived as a commodity for which there is a price for its use. Instead, Islamic law consistently views money as a medium of exchange, a store of value and a unit of measurement (CIMA). The argument is that taking the interest before a completed economic activity is unfair (Siddiqui, 1992). According to Devi et al. (2007), the reasons for prohibiting *riba* are because that practice is oppressive and exploitative in the eyes of God and to secure economic justice based on fair trade and ethical commercial practices in service to human welfare.

## 3. LITERATURE REVIEW

Although several studies have examined the SQ dimensionality in Islamic banking institutions setting, no previous study has perfectly matched the other studies in terms of reporting similar SQ dimensions. Consequently, based on the previous literature review, this study adopted the SERVQUAL model developed by Parasuraman et al. (1985) as an instrument to measure perceived SQ in Islamic banking industry.

Tangibility is defined as appearance of physical components (Parasuraman et al., 1985) which may be represent by office buildings, furniture and fixtures, as well as equipment and appearance of staff. Previous studies argued that the tangible aspects of SQ do influence customers' perceptions of SQ (Blodgett & Wakefield, 1999; Dabholkar et al., 1996; and Kumar et al., 2010). However, this finding is contrasted with previous research by Jamal and Naser (2003) and Baumann et al. (2007).

Reliability means dependability of service provider and accuracy of performance (Parasuraman et al., 1985). The major reason for customers to choose banks for its services is because of the dependability and reputation of banks. Previous studies such as Arasli et al. (2005) pointed out that reliability dimension of SERVQUAL has the highest impact on customer satisfaction in Greek Cypriot banking industry, while Chaniotakis and Lymperopoulos (2009) found that reliability is not related to customer satisfaction.

Responsiveness represents the promptness and helpfulness to customers including provide fast and effective service (Parasuraman et al., 1985). Willingness to help customers is likely to have a positive effect on customer' perceived SQ and customer satisfaction in retail banking. Mengi (2009) reported that responsiveness and assurance are important drivers of customer satisfaction in public and private sector banks. Right information to the right customers promptly in the banking sector may create public confidence, and thus helps customers to make the right decisions at the right time.

Assurance is defined as knowledge and courtesy of employees and their ability to inspire trust and confidence (Parasuraman et al., 1985). Kumar et al. (2010) and Mengi (2009) found that assurance is the important factors of customer satisfaction. In banking sector, the bank's commitments are important as customers may deposits a large sum of money in banks. For complicated products such as insurance, funds, and margins, employees must provide a clear explanation so that customers can feel confident about the services provided.

Empathy represents caring, individualized attention the service provider gives its customers (Parasuraman et al., 1985). Several studies found that Gen-Y consumers have benefited from the increased availability of customized products and personalized services (Ansari & Mela, 2003; Berry et al., 2010; Bitner et al., 2000; and Peterson et al., 1997).

**Service Quality and Service Attitude**

Attitude denotes the degree to which a consumer's disposition towards a service is favourably inclined (Azjen & Fishbein, 1980). According to Dick and Basu (1994), service atittude is a crucial variable that determines outcomes at different points in the process and serves as glue that holds the relationship together. Dick and Basu (1994) posited that true loyalty only exists when repeat patronage co-exists with a high relative attitude.

Many studies indicate that purchasing experience gives influence on the attitude of customers and on the repurchase intention of future. In the multichannel context, each respective channel influences the attitudes of users toward the service provider (Kwon & Lennon, 2009). Comparing their experiences across different channels may forms user's judgment of SQ. In the context of banking services, users may shift between different channels (for example, e-banking

and over-the-counter services) depending on which one best fulfills their goals and task requirements (Straub & Karahanna, 1998; and Weisberg et al., 2011).

**Service Quality and Customer Satisfaction**

Service quality is considered as the antecedents to customer satisfaction (Parasuraman et al., 2005) that may drive repeat purchases. Thorough investigation of relationships reveals that the effects of SQ features on customer satisfaction are not consistent. Previous literature found that there are strong linkages between SQ dimensions and overall customer satisfaction (Anderson & Sullivan, 1993; Sharma & Lijuan, 2015; Siddiqi, 2010; and Yee et al., 2010). Interestingly, Kundu and Datta (2015) found that SQ, trust, and customer satisfaction are all significantly related to one another and trust partially mediates the relation of internet banking SQ and satisfaction of internet banking customers in Kolkata, India.

In Malaysian Islamic banking industry, it was found that SQ dimensions of bank's websites affect overall SQ and positively influence customer e-satisfaction for e-banking consumers in Malaysia (Amin & Isa, 2008). On the other hand, Lo et al. (2010) found that empathy and assurance had the highest influence on customer satisfaction.

**Service Quality and Patronage Intention**

Patronage intention among customer is an asset and it can be considered as customer's loyalty. Jones and Sasser (1995) defined patronage intention as a feeling of attachment to or affection for a company's people, products, or services.

Previous studies provide mixed results with respect to the relationship between SQ and patronage intention. Cronin and Taylor (1992) found that SQ did not appear to have a significant positive effect on repurchase intentions, while Dabholkar and Thorpe (1994) and Boulding et al. (1993) reported positive relationships between SQ and repurchase intentions and willingness to recommend. Interestingly, Zeithaml et al. (1990) reported a positive relationship between SQ and the willingness to pay a higher price and the intention to remain loyal in case of a price increase.

Additionally, previous studies have suggested that customer perceptions of SQ and satisfaction positively influence purchasing intentions. For instance, Llusar et al. (2001) considered customer satisfaction as a mediator of the relationship between firm perceived SQ and customer purchase intentions.

Overall, previous literatures regarding SQ and customers satisfaction reveals that based on customers' perception of SQ, different SQ measures relevant to banking services were developed. This indicates that providing high-SQ has become essential for the survival of the banking industry. Given the extensive involvement of Gen-Y customers in the bank services, thus it is important to examine the level of SQ perceived by the Gen-Y customers in Islamic banking institutions.

## 4. CONCEPTUAL MODEL

In this study, the SERVQUAL model developed by Parasuraman et al. (1985) was adapted to establish dimensions of SQ. The SERVQUAL model consists of five SQ dimensions, i.e. tangibility, reliability, responsiveness, assurance, and empathy (Parasuraman et al., 1988). This is a generic model and instrument for all service encounters.

In fact, a number of researchers and academics have recently studied the conceptualization and measurement approach used for developing the SERVQUAL scale in different industries. Angur et al. (1999) measure the overall SQ perceived by customers of two major banks in India using the SERVQUAL model and they suggested that the SERVQUAL scale is multidimensional and is able to provide more diagnostic information due to its greater variability across banks than the SERVPERF scale. Besides that, Othman and Owen (2001, 2002) used the SERVQUAL dimensions in examining service quality in Islamic banking focusing on Kuwait Finance House.

## 5. METHODOLOGY

The population for this study is Gen-Y customers of financial institutions which offer Islamic banking services located in Klang Valley. Gen-Y has been
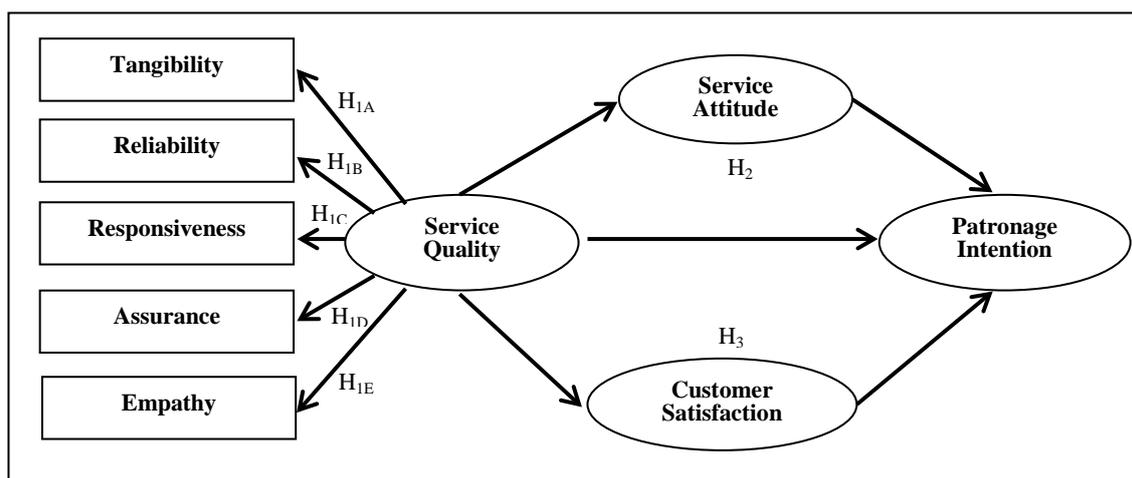


**Figure 1: Theoretical Framework**

referred as "millennial", "internet (or dot.com) generation", "nexters", and "echo boomers." Different studies classified Gen-Y differently. This study follows Kotler and Armstrong (2016) categorization of Gen-Y, using the following birth dates from 1977 to 2000.

This Gen-Y customer was chosen as the experimental units because they have their own unique characteristics that may be the factor that influence of Gen-Y saving consumption patterns. Halstead (2006) characterised Gen-Y as having more personal independence than prior generations due to the internet and the rise in divorce; and greater optimism than Gen-X about money and job security.This study looks at the data gathered from each individual and treats each owner's response as an individual data source.

Survey questionnaires are distributed to Gen-Y customers visiting the counters of banks and they must have an account with one of the fully-fledged Islamic and dual-banking systems. The Islamic banks were the two leading fully-fledged Islamic banks (BIMB and Bank Muamalat Malaysia Berhad) and the two dual-window banking systems (Maybank and Public Bank) in Klang Valley. This questionnaire distribution was conducted from October to November 2015.

Out of the 450 questionnaires distributed through a non-probability convenience sampling method, a total of 365 were returned. This produced a response rate of 81.1%. Out of this, 14 questionnaires were discounted based on serious omissions in some of the demographic questions as well as scale items. Therefore, to avoid obtaining misleading information, the researchers concluded that it would be appropriate to exclude such data in favour of more genuine and standard questionnaires. Consequently, the final usable questionnaires extracted were 351 (78%).

**The Instruments**
The five dimensions of SERVQUAL as proposed by Parasuraman et al. (1985) and consistent with Othman and Owen (2001, 2002) were adapted and modified in this study. The modifications consisted of substituting questionnaire items particularly suited to Islamic banking and Malaysian context.

A five-page questionnaire consisting of four sections was developed as the research instrument. On top of that, a covering letter containing the purpose of the study, ethics approval, and researcher contact information was included on the front page. Section A captures information on the respondents' demographic profiles such as gender, race, age group, academic qualification, monthly income, and current occupation. Section B focuses on the current Islamic banking transaction profile such as number of bank(s) used, type of Islamic bank account(s), and type of channel used to carry out banking transactions.

Section C contained 22 attributes concerning the SQ shown in Table I. There are five sub-dimensions dealing with SQ which are tangibles, reliability, responsiveness, assurance, and empathy. The respondents were requested to evaluate the performance of each Islamic banking institutions SQ attributes based on their overall past experience using a seven-point Likert-type scale ranging from strongly disagree (1) to strongly agree (7). Further, Section D addresses moderating variables of service attitude and customer satisfaction, and dependent variable of patronage intention.

**Table I: Operationalization of the Constructs**

| Construct | Definition | Sources |
|---|---|---|
| Tangibility | Appearance of physical components of Islamic bank. | Parasuraman et al. (1985) |
| Reliability | Promised service would be performed accurately & in a timely manner. | Parasuraman et al. (1985) |
| Response | Bank is helpful to customers including provide fast & effective service. | Parasuraman et al. (1985) |
| Assurance | Respective bank would be safe when processing sensitive personal information. | Parasuraman et al. (1985) |
| Empathy | Individualized attention to user concerns & requests would be provided. | Parasuraman et al. (1985) |
| Service Attitude | The perception of respondents towards service attitude. | |
| Customer Satisfact | Respondents' feelings as well as attitudes & expectations of users who perceive that they have received good service. | Choi et al. (2008) |
| Patronage Intention | Respondents' feeling of attachment to or affection for Islamic bank services. | |

# 6. RESULTS
**Respondents' Profile**
Respondents of this study consists of composition between 57.5% of female and 42.5% is male. The results showed that the majority of the Gen-Y customers in Islamic banks are Malay (68.9%), Chinese (15.4%), and followed by Indian (14.5%) with most of them are in the age between 18 to 29 years. 64.1% of Gen-Y respondents had acquired education up to Bachelor's degree however; most of them earned monthly income of below than RM 1,000 (35.9%). Perhaps, these respondents are newly-joined the career path with majority of the respondents (46.2%) are working with private sector.

Consistent with the survey conducted by Ernst & Young (2012), the result of this study shows that bank customers nowadays are becoming less loyal and the number of banks they use is more than one because almost 64% of them using two to three banks. Majority of Gen-Y 83.2% have saving accounts with these Islamic banks and less than 2% of them using other Islamic bank facilities such as *Bai Baitaman Ajil*, *Ijarah/Aitab*, and Islamic personal loan. Perhaps, in the earlier career path, these Gen-Y respondents are unaffordable in buying house or their monthly income is not enough for them to apply loan. Even though Gen-Y customers are called as "internet (or dot.com) generation", but only minority of them are using internet and phone banking channels to carry transactions with Islamic banks as they prefer ATM channels for simple transactions (67.5%).

**Gen-Y perception of SQ in Islamic Banking**

Table II shows the mean scores for the perception of Gen-Y customers on the SQ dimensions. In general, all items have a mean higher than four (out of seven). This indicates that Gen-Y perceived that they were receiving a high level of SQ from Islamic banks services.

The highest mean scores for dimension of SQ is assurance (4.95), and the lowest mean scores was empathy (4.81). It is possible to conclude that respondents feel safe when these Islamic banks process their sensitive personal information. They also feel that the bank's employees have courtesy towards them.

The results also discover the Gen-Y respondents have similar preferences on tangibility and reliability of service quality. These results indicate that Gen-Y respondents are having high agreement with the appearance of physical components of Islamic banks such as office buildings, furniture and fixtures, as well as equipment and appearance of staff. This is important because these customers need a comfortable waiting area to wait for the promised service.

**Table II: Descriptive Statistics for the SERVQUAL**

| Variable | Mean | Minimum | Maximum |
|---|---|---|---|
| Tangibility | 4.90 | 1.75 | 7.00 |
| Reliability | 4.90 | 1.60 | 7.00 |
| Responsiveness | 4.88 | 1.75 | 7.00 |
| Assurance | 4.95 | 1.75 | 7.00 |
| Empathy | 4.81 | 1.60 | 7.00 |

**The impact service quality on patronage intention**

This section presents the impact of SQ dimensions on the patronage intention among Gen-Y customers. The results in Table III show that the regression model ($F(5, 351) = 88.34$, $p$ value = 0.000) is significant at the 1% level with overall fit of the model of $R^2$ 56.70%. This indicates that 56.7% of the variation in patronage intention among Gen-Y customers of Islamic banks in Malaysia can be explained by five IVs specified in the model.

**Table III: Standard Multiple Regression Results between SERVQUAL and Patronage Intention**

| | Hyp | Std Beta Coeff. | $t$-stat | $p$ value |
|---|---|---|---|---|
| Intercept | | | 2.154 | 0.032** |
| **Tangibility** | $H_{1A}$ | 0.137 | 2.723 | 0.007*** |
| **Reliability** | $H_{1B}$ | 0.213 | 3.343 | 0.001*** |
| **Responsiveness** | $H_{1C}$ | 0.019 | 0.289 | 0.773 |
| **Assurance** | $H_{1D}$ | 0.153 | 2.687 | 0.008*** |
| **Empathy** | $H_{1E}$ | 0.345 | 5.898 | 0.000*** |
| $R^2$ value (%) | | | | 56.7 |
| F-value | | | | 88.34 |
| Sig. value | | | | 0.000*** |
| No. of Obs. | | | | 351 |

*Note*:  Association is significant at *** 1% level, ** 5% level, respectively, using two-tailed tests.

Result from Table III indicates that the tangibility, reliability, assurance, and empathy were positively related to the patronage intention and all are significant at 1% level. For Malaysian Islamic banking, empathy was the key driver of SQ, followed by reliability, tangible, assurance, tangibility, respectively. This result indicates that Gen-Y customers are looking for banks that provide services with individual attention, give personal services, and bank's employees are understand their specific needs. Therefore, Hypothesis $H_{1A}$, $H_{1B}$, $H_{1D}$, and $H_{1E}$, were supported.

The hypothesis $H_{1C}$ pertains to a significant relationship between responsiveness and patronage intention. Result from Table III indicates that the responsiveness was positively related to the patronage intention, however it is not significant. Thus, Hypothesis $H_{1C}$ was rejected.

**Moderating influence on the relationship between SERVQUAL and patronage intention**

This section presents the results of whether service attitude and customer satisfaction can act as mediator role between SQ and patronage intention in the context of Islamic banking. The results for Model 3 in Table IV examine the influence of service attitude as a mediator on the relationship between SQ and patronage intention. The findings show that the regression model ($F(2, 351) = 229.92$, $p$ value < 0.10) is significant at the 1% level, with overall fit of the model is moderate at $R^2$ of 57.5% of the variation in the total patronage intention.

The results in Table IV shows that the effect of service attitude does significant ($\beta = 0.244$, $p = 0.000$) after controlling for IV of SQ. Therefore, these results conclude that mediation is possible or likely, thus lead to acceptance of $H_2$. Overall, this result suggests that service attitude does mediate the relationship between SQ and patronage intention.

The results for Model 4 in Table IV examine the influence of customer satisfaction as a mediator on the relationship between SQ and patronage intention. the regression model ($F(2, 351) = 172.28$, $p$ value = 0.000) is significant at the 1% level, with overall fit of the model is moderate at $R^2$ of 50.3% of the variation in the total patronage intention.

Similar to service attitude, the results in Table IV shows that the effect of customer satisfaction does significant ($\beta = 0.547$, $p = 0.000$) after controlling for SQ. Therefore, these results conclude that mediation is possible or likely. Hence, this study accepts the $H_3$. Overall, this result suggests that customer satisfaction of Islamic banking services has a mediating effect on the relationship between SQ and patronage intention.

This result is consistent with research by Caruana (2002), Butcher et al. (2001), Ehigie (2006) and Lam and Burton (2006). Therefore, this result provides motivation and insights to managers in the Islamic banking industry to further emphasize towards increasing customer satisfaction.

**Table IV: Standard Multiple Regression Results between SERVQUAL, Service Attitude, Customer Satisfaction, and Patronage Intention**

| | Hyp | Model 1: Service Attitude | Model 2: Customer Satisfaction | Model 3: SA*PI | Model 4: CS*PI |
|---|---|---|---|---|---|
| Intercept | | $1.025^{**}$ | $0.742^{**}$ | $1.832^{*}$ | $7.056^{***}$ |
| **Service Quality** | | $0.776^{***}$ | $0.552^{***}$ | $0.555^{***}$ | $0.254^{***}$ |
| **Service Attitude** | $H_2$ | | | $0.244^{***}$ | |
| **Customer Satisfaction** | $H_3$ | | | | $0.547^{***}$ |
| $R^2$ value (%) | | 60.2% | 30.5% | 57.5% | 50.3% |
| F-value | | 510.87 | 149.56 | 229.92 | 172.28 |
| Sig. Value | | $0.000^{***}$ | $0.000^{***}$ | $0.000^{***}$ | $0.000^{***}$ |
| No. of Obs. | | 351 | 351 | 351 | 351 |

*Note*: Association is significant at $^{***}$ 1% level, $^{**}$ 5% level, respectively, using two-tailed tests.

## 7. CONCLUSION AND DISCUSSION

The purpose of this study is to measure SQ perceptions by Gen-Y customers towards Islamic banking services and to examine the moderating roles of service attitude and customer satisfaction on the relationship between SQ and patronage intention in the context of Malaysian Islamic banks.

Focusing on the Islamic banks located in Klang Valley, this study was conducted among 351 Gen-Y customers. Quantitative research methods through closed-ended questionnaires were analysed to get an in-depth view about the problem. Data demonstrate that customers are quite satisfied with the services provided by Islamic banks as promised and the security level of the transaction process. Customers are confident that banks can realize the promised services so that they can consume products and services with trust.

Overall, the results signify that the SERVQUAL dimensions (except responsiveness) show positive relationships with patronage intention. Empathy is key success factor in the Malaysian Islamic banking sector. Gen-Y customers perceive a high degree of interaction with employees in banks providing individual attention and personalized service. The bank reflects a high ability to fulfill Gen-Y customers' concerns regarding individual needs, such as solving customers' enquiries and problems. With this good interaction, Gen-Y customers are willing to loyal with their Islamic bank service provider.

The results also show that tangibility has a positive influence on patronage intention. This can be clarified by customer impressions of tangible factors in terms of equipment, physical features, and appearance of the bank employees as well as materials produced by the relevant banks such as pamphlets and statements. Customers may assess bank facilities and designs, sufficiency and visibility of equipment, and the appearance of the employees in banks.

Reliability and assurance is another factor emphasized by customers in Malaysia. The degree of trust and confidence that customers feel about the banking services greatly depends on the SQ provided by the employees of banks. The positive influence of assurance on patronage intention can be explained by the excellent and competent services that the bank staff provide. Customers feel that banks can honor their commitments and hence are confident in using bank products.

Unfortunately, responsiveness is the least key success factor in the case of Malaysia Islamic banking sector. This indicates that Gen-Y customers felt that the Islamic bank lack in assist and provide prompt services to customers. Perhaps, the time duration of bank staff to provide the service is unsatisfactorily.

Overall, this study suggest that the establishment of higher levels of SQ will lead Gen-Y customers to have a high level of service attitudes and satisfaction, and these subsequently lead to loyalty of Gen-Y customers towards Islamic banks. This finding is consistent with previous studies by Othman and Owen (2001) who stated that there was a strong link between SQ and customer satisfaction in Islamic banking. Arasli et al. (2005) found SQ to be a significant predictor of customer satisfaction in Turkey's banking industry. Additionally, Karatape et al. (2005) identified that SQ has the strongest effect on satisfaction since satisfaction is a mediator between SQ and purchase intention in conventional banking.

### Practical Implications

This study finds that Malaysian Islamic banks are evaluated positively by Gen-Y respondents in general, but continuous improvements are recommended to maintain a competitive edge. One managerial implication is the need for banks to consider recruitment and human resources programs. First, Islamic banks should ensure that employees are able to provide professional services. Staffs are assets of a financial institution and the key to building bridges with customers. Cook (2008) notes that training and development help organizations to be more flexible,

proactive and customer-focused in the face of fierce competition and serve as a prime motivational tool. A strong infrastructure of providing professional services including knowledge, skills, and attitudes can be adopted to encourage employees to become empowered, so that they can truly read customers' needs and gain work satisfaction by providing correlated services.

Besides that, Islamic banks should pay extra attention to customer needs. Customer satisfaction is improved when the service provided surpasses the perceived value of customers. An exchange of information is essential to understand changing customer needs and behaviors so that corporations can customize products for individuals. Finally, Islamic banks have to protect customer privacy and avoid revealing any data to marketers. Islamic banks also must identify potential customers, determine their needs, and then develop and deliver products and services to meet their needs effectively. According to Ndubisi (2006), patronage intention can be achieved by offering personalized, flexible and adjustable services to suit the needs of customers. Bilateral communication is another essential element to satisfy customers and retain loyalty.

The finding of this study suggests that SERVQUAL model is a suitable instrument for measuring the Islamic banking SQ in Malaysia. The indicators constitute a valid and reliable measurement instrument. Such a scale may serves as a managerial tool to the extent that Islamic bank service providers can evaluate the performance of their services and initiate proper practices, which are aimed at improving their SQ. In other words, the scale of SQ can help management to map the performance of specific service domains more precisely and to propose corresponding improvement programs more effectively.

**Future Research**
Some limitations of this research should be acknowledged and directions for future studies should also be suggested. The SQ dimensions obtained in this study bear different findings from previous scholars. To some extent, the differences may contribute to different services and functions provided by the Malaysia Islamic banks across nations. The nationality-specific service requirements may exist and lead to the content differences in certain service dimensions. Therefore, the factor in regard to cultural differences across regions and nations may affect the validity of SQ dimensions.

In future, the developed scale can also be replicated with other samples. In addition, future research could be conducted to compare the SQ dimensions identified by means of a longitudinal assessment of the services changes during different periods. Besides that, future research should also concentrate on a larger number of banks involved in the research study, the number of respondent, and the research should represent the whole Malaysia. Finally, the influence of other major variables has not been taken under consideration of this study.

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