

CHAPTER FIVE

DISCUSSION OF RESULTS AND CONCLUSION

5.1 Introduction

This chapter aims to interpret the results reported in Chapter 4 and fulfill the aims of this study through answering the research questions formulated in Chapter One. Explanations on the findings are presented followed by the contributions and managerial implications of the study. Finally, the chapter concludes with limitation of the study and suggestions for future research.

5.2 Summary of the Results

This study developed and empirically tested a model that leads to better understanding of the relationships between Islamic banking service providers and their customers' switching intentions. In order to answer the research questions, this model extends corporate image, service quality and customer perceived value on the constructs of relationship quality and switching intentions. Further, it examines the influence of relationship quality on switching intentions and the effects of alternative attractiveness as a moderator variable in the proposed model.

5.2.1 Demographic Characteristics of Respondents

Based on the data analyzed in Chapter 4, the majority of Islamic banking respondents of this study were females (58.1%) with 265 respondents while the males represented 41.9% with 191 respondents. It was also found that the majority of the Islamic banking respondents in this study were between the ages of 20 years old to 39 years old (74.8%).

In terms of race, with a percentage of 87.1%, the Malays appear to be the dominant race in the sample. This was followed by Chinese (5.5%), others (4.4%) and Indians (3.1%). As for religion, Islam was the dominant religion (91.2%), followed next by Buddha (3.5%), Christian (3.1%) and Hindu (2.2%). From the results, more than half of the total respondents, 266 of them are married (58.3%) another 180 respondents are single (39.5%) and the remaining 10 respondents were (2.2%) either divorced or separated.

With respect to education, results show that 121 of the respondents obtained a diploma (26.5%), 167 obtained an undergraduate degree (36.6%), and another 52 respondents (11.4%) had a postgraduate education. Finally, the monthly income of the respondents show that almost half of the respondents or 236 respondents (51.8%) earn between RM1,000 to RM2,999. This was followed by 109 (23.9%) respondents who earn between RM3,000 to RM4,999. Meanwhile another 61 (13.4%) respondents earn more than RM5,000.

Furthermore, the respondents in this study were mostly females, with Malays the majority race and Islam as the main religion among the respondents. The respondents also appear to be tertiary educated with more than half of the respondents obtaining a diploma and above. This is also reflected in the income earned by the respondents as most of them (75.7%) earn at least more than RM3,000 a month.

5.2.2 Research Question 1:

What is the significant influence of corporate image, service quality and customer perceived value on relationship quality for Islamic banking customers in a dual banking environment?

In the proposed model, this study hypothesized that the development of corporate image, service quality and customer perceived value influences relationship quality. Therefore, three hypotheses (H1, H2 and H3) were proposed, representing the influence on relationship quality respectively.

The study found that hypothesis 1 where corporate image positively influence relationship quality was not significant and in the opposite hypothesized direction. This shows that corporate image do not affect relationship quality in this study. The lack of influence of corporate image on relationship quality however, is not necessarily surprising, as previous study suggests that the complexity and intangibility of a service makes perception of corporate image difficult (Nguyen and LeBlanc, 2001).

Also, an organization does not project a unique image but may possess different images which differ according to different groups (Nguyen and Leblanc, 2001). As Islamic banking customers include Muslims and non-Muslims, these different groups may have difficulty to perceive the appropriate or ethical image for Islamic banking resulting in H1 not supported in this study.

Another possible explanation for this finding is that the cues used by Islamic banking customers in this study are not the corporate image cues that influence relationship quality. Likewise, previous findings have found customers use extrinsic and intrinsic cues when evaluating corporate image (Andressean and Linstead, 1998; Nguyen and LeBlanc, 2001). As such, the positioning of Islamic banking service providers in the eyes of their bank customers needs to be enhanced and developed so that the image of the bank is portrayed clearly.

Another possible reason for the lack of support for H1 is that Islamic banking has been in existence in Malaysia for approximately only thirty years and when compared to conventional banking, its' presence is relatively new. Thus, Islamic banking service providers have little opportunity to develop a strong corporate image. This may result in Islamic banking service providers not portraying the unique or distinguishable corporate image to their customers or Islamic banking customers may have difficulty in determining the correct or ethical corporate image for their Islamic banking service providers.

Contrary to the proposed relationship (H2: service quality positively influences relationship quality), the influence of service quality on relationship quality was not significant. However, Crosby et al, (1990) states that service quality can be a necessary, but not sufficient condition for relationship quality and that an enduring buyer-seller relationship is successful if managed properly from both a buyer and a seller perspective.

Taking into consideration Crosby's et al, (1990) perspective and the results of this study, it can be assumed that service quality in this study is not a sufficient condition for relationship quality and thus, the influence of service quality on relationship quality was not significant. This implies there are other dimensions or variables that are involved in strengthening relationship quality and service quality alone does not influence relationship quality for Islamic banking customers in this study.

Similar to the earlier argument used for hypothesis 1, since Islamic banking has only been in existence for thirty years in Malaysia compared to conventional banking, the buyer-seller relationship as proposed by Crosby et al,(1990) needs to be further developed by Islamic banking service providers in Malaysia for an enduring relationship to exist between buyer and seller. Thus, Islamic service providers need to ensure that there are other attributes or benefits they can offer to their customers to influence relationship quality because relationship quality is still the best predictor of a customer who is looking for future contact with a service provider (Crosby et al, 1990).

Furthermore, there is a possibility that performance items from the SERVPERF scale have not completely been covered for this study. This is the first time that the SERVPERF scale is used in a dual banking setting and in a multicultural context. Thus, there may exist inconsistencies in regard to the dimensions in determining service quality as previously found when the SERVQUAL scale was used in different industries and cultures (Al-Eisa and Alhemound, 2009).

It is also likely that when responding to the questionnaire on service quality items, the respondents might perceive them to be service quality items for conventional banking since some of them may have more than one banking accounts and they may perceive the service quality items for services for other banks instead of the Islamic banking.

H3 is hypothesized in this study in which customer perceived value will positively affect relationship quality. Consistent with expectations, the results demonstrate that the perceived value construct is an important variable showing evidence to support H3. More specifically, these results show if customer perceived value of Islamic banking customers in Malaysia are enhanced, it will lead to a stronger relationship quality between Islamic banking service providers and their customers. The result of this study is in agreement with findings by other studies that show customer perceived value to have a positive and significant impact on relationship quality (Ndubisi, 2007; Liang and Wang, 2006).

McDougall and Levesque (2000) also proposed that perceived value contributes directly to customer satisfaction which, in turn leads to future intentions. Thus, it can be assumed Islamic banking customers primarily evaluate their relationship quality with their service providers according to their customer perceived values rather than use corporate image or service quality factors. This study also hypothesized that relationship quality is negatively related to switching intention (H4). The results of this relationship was not significant and in the hypothesized direction.

The result demonstrates that if relationship quality is strong, customers will not switch or defect to another service provider. As relationship quality in this study is made up of satisfaction and commitment dimensions it can be implied that customers who are highly satisfied and highly committed to their service providers will not switch to another service provider.

It follows that from the results, satisfaction and commitment as dimensions of relationship quality does influence behavioral outcomes. This is in line with a study by Hennig-Thurau et al, (2002) that found a significant and strong direct impact of satisfaction and commitment on both customer loyalty and word-of-mouth communication.

5.2.3 Research Question 2:

How do corporate image, service quality and customer perceived value effect relationship quality and switching intentions for Islamic banking customers in a dual banking environment?

Furthering the aim of investigating the direct and indirect effects of relational variables on relationship quality and switching intentions it was hypothesized that the relational variables would be negatively related to switching intentions (H8, H9 and H10). As hypothesized in H8, service quality was found to have the strongest direct effect and total impact on switching intention than corporate image or customer perceived value in this study.

This suggests that Islamic banking customers' regard service quality to be more important than corporate image or customer perceived value in their switching decision. This provides additional evidence to the study by Amin and Isa (2008) on service quality in the Islamic banking context in Malaysia where the results found that higher levels of service quality will lead to higher level of satisfaction. It is likely that customers who are satisfied with the service quality provided by their service provider are not likely to switch service providers. This is consistent with Zeithaml (2000) suggestion that providing consistently good service is not easy to duplicate and therefore is likely to be the cementing force in customer relationships.

Another explanation for the strong direct and total impact of service quality may be due to the reason that Islamic banking customers in Malaysia may have experienced conventional banking prior to the introduction of Islamic banking services. This suggests that service quality evaluations are more readily used by Islamic banking customers prior to switching decisions rather than corporate image or customer perceived values evaluations.

This study also found support for a stronger indirect effect of customer perceived value on switching intention. This indicates that customer perceived value inhibits switching tendency via relationship quality. Thus, offering the best value to the customer is important as this will determine the strength of the relationship between the service provider and the customer which will consequently determine future intentions of Islamic banking customers (Crosby et al., 1990).

The values offered to Islamic banking customers must result in increased satisfaction and commitment, the two dimensions of relationship quality used in this study. Consequently, once satisfied and committed to a service provider a customer is not likely to switch.

5.2.4 Research Question 3:

How important is relationship quality in mediating switching intentions for Islamic banking customers?

The results show relationship quality is identified as a significant mediating variable only in the link between customer perceived value and switching intention. This result provides additional support to the findings by Ulaga and Eggert (2006) which found the propensity to leave a relationship in a business to business setting is mediated by relationship quality. The results also confirm the important influence of customer perceived value on the maintenance of long-term relationship.

The study reveals that relationship quality is not a mediator for the relationship between corporate image and service quality to switching intention. One explanation for this is that the dimensions for corporate image and service quality are not the dimensions specifically used by Islamic banking customers and thus, do not have any effect on relationship quality. It is conceivable there may be other relevant dimensions that have an influence on relationship quality for Islamic banking customers.

5.2.5 Research Question 4:

What impact might alternative attractiveness have in moderating the relationship between relationship quality and switching intention?

From the findings of this study it was found that alternative attractiveness moderates the relationship between relationship quality and switching intention. It appears that customers are inclined toward switching when relationship quality with the service provider declines and there is an attractive alternative available. Results of this study also show more than half of the Islamic banking customers in Malaysia have tertiary education and there is reason to assume they have knowledge of the existence of other service providers. This is similar to findings by Capraro et al, (2003) that show the likelihood of customer defection which is directly influenced by the customer's knowledge about alternatives.

To sum up, the availability of competitors or alternatives offering better and a full range of services to its customers as well as convenient locations might motivate a customer to dissolve the current relationship. In like manner, Islamic banking customers in Malaysia seem to be aware of alternatives available to them and will likely switch if their expectations are not met.

5.3 Contributions of the Study

5.3.1 Theoretical Contributions

Theoretically, in relationship marketing the aim is to attract, maintain and enhance relationships. However, in today's intense competition, the main aim of satisfying customers may not be sufficient (Hu et al, 2009).

Hence, this study has attempted to provide a relationship marketing model that can be used to determine relational variables that influences relationship quality and consequently switching intentions of Islamic banking customers in a dual banking environment. In particular, this study implies that the prediction of switching intention might involve multiple antecedents.

More specifically, this study has extended the research on corporate image, service quality and customer perceived value by investigating their influence on relationship quality and switching intentions.

This linkage reflects the necessity in understanding whether these three constructs enhance relationship quality within this context. The measures of satisfaction and commitment reflect the overall evaluation of customers' relationships with Islamic service providers, and thus determine the future of these relationships. This study also attempted a first step towards a comprehensive framework by proposing a holistic model of negative behavioral intention. Linkages among antecedents are first developed from a theoretical standpoint and then formalized.

Furthermore, the proposed model draws several parallels with the model of Theory of Reasoned Action and the Theory of Planned Behavior (Ajzen, 1980, 1991). Both models suggest the route towards the dependent intention via an attitude route. The model for reasoned action incorporates an attitude towards behavior which leads to favorable or unfavorable outcomes and subjective norms which captures the extent the social environment influences such a behavior.

Meanwhile, the Theory of Planned Behavior (TPB) suggests that behavior is a direct function of behavioral intention and perceived behavioral control. Given that switching behavior is a complex behavioral process forged from a combination of variables involved in the customer's decision to switch (Keaveney, 1995) which may not be easily executed, TPB provides a similar framework for the model in this study.

The findings of this study demonstrate that relationship quality between customers and service providers can be achieved by employing customer perceived value. However, the findings also demonstrate that this is not the case for corporate image and service quality, and therefore are not the determinants of relationship quality in this research setting.

The evidence of customer perceived value and its influence on relationship quality implies that relationship marketing theory can be applied in measuring the antecedents of relationship quality in the context of Islamic banking in Malaysia. The means-end theory is also justified as customers of Islamic banking have primarily used the attributes of customer perceived value to determine the quality of relationship with their service provider in order to minimize undesirable consequences such as switching or defection to another service. The study also confirms the use of the relationship quality model by Crosby et al., (1990) for this study and that relationship quality is a good indicator of the future well-being of a long-term service relationship in an Islamic banking setting.

In further understanding about switching intention, this study contributes to the theory of relationship marketing by demonstrating the moderating effect of alternative attractiveness in the proposed model. The results indicate that alternative attractiveness moderates the relationship between relationship quality and switching intention among Islamic banking customers in Malaysia.

5.3.2 Methodological Contributions

The methodological contribution of this study is the development of measurement of the constructs where multiple approaches were used to analyze the data and several models were examined simultaneously. Furthermore, this study offers a more accurate methodological process, attempting to clearly define each of the underlying constructs.

Due to the unavailability of the sampling frame of banks' customers, the respondents were selected using convenience sampling. However, measures were taken to make the sampling as systematic as possible. This is why multi-stage sampling procedure was employed and subsequently 1000 participants were selected from Islamic service providers. Likewise, this is the first attempt to use structural equation modeling (SEM) in examining switching intention of Islamic banking customers in a dual banking setting and the assessments of the reliabilities and validities of each construct using CFA confirm the rules between both empirical and theoretical concepts (Bagozzi, 1984; Han 1991).

5.3.3 Managerial Implications

This study has found the importance of customer perceived value in influencing relationship quality. It is important that Islamic banking service providers present value in a sustained way in order to generate a competitive advantage and maintain it over time. Islamic banking service providers must offer their customers with a perceived value higher than that of the competition to achieve a competitive advantage in the market.

In this sense, marketing managers must have a deep understanding of its meaning and the relative importance of the value dimensions when the customer comes to make his/her evaluations.

Managers of Islamic service providers must make great effort when selecting the contact personnel to be employed in their banks. Managers should also screen the workforce applicants with social competence and emotional intelligence as these traits can lead to a high level of courtesy, friendliness, empathy and accessibility in client-firm relationships.

In addition, managers must establish practices that foster excellent and superior service by making contact personnel understand that superior service outcomes are expected and desired. This is in line with Woodruff's (1997) suggestion that predicting customer value changes, although challenging, is necessary for designing and implementing effective customer value-based strategies.

This study has also found relationship quality to mediate the relationship between customer perceived value and switching intention. Thus, the dimensions of satisfaction and commitment used in this study as dimensions of relationship quality must be enhanced by service providers as a strong relationship quality will deter customers from switching. As such, managers must emphasize on the importance of providing high satisfaction and high commitment to their customers at all times. Accordingly, Kim et al, (2001) found committed and satisfied customers tend to believe that their service providers are different from those found in the market and that their service providers are hard to duplicate, resulting in loyalty from the customers.

Secondly, Islamic banking service providers must be aware that satisfying customers alone may not be sufficient to survive in today's competitive retail banking environment. Managers should not just focus on improving customer satisfaction but also target on improving the customers perceptions of overall service quality and increasing customer perceived value. Specifically, managers of Islamic banking service providers should be aware that customer perceived value should be recognized as a contributing factor to relationship quality and switching intention.

Managers must be able to convince the customers that they are getting high value from the firm because if they neglect to do this, then it will not be easy for them to build relationship quality with their customers. This is of utmost importance because the results of this study confirm that when customers receive high value from their service provider, customers feel that they have a high quality relationship with their service provider. This will result in customers being more loyal and thus, they are not likely to defect.

Furthermore, managers need to acknowledge that Islamic banking customers may possess different attributes that does not fit into the same marketing programs aimed at conventional banking customers. Therefore, managers may need to segment their customers into several groups effectively before the implementation of their marketing programs so as to achieve correct and efficient results as Islamic banking customers are made up of Malaysian Muslims and non-Muslims.

Thirdly, although corporate image does not has an effect on relationship quality and switching intention in this study, managers should ensure that their image is portrayed in a favorable manner as positive image assessments should motivate customers to resist competitive offerings. In similar lines, Gardener et al, (1999) argue that in the new financial environment, there is also a greater focus on banks' achieving added value and improving their public image.

Likewise, Hu et al, (2009) also suggests that image should be considered as a source of competitive advantage and that when companies have relative attractiveness in their image, their corporate image is significantly different from others in the same industry. In conclusion, a positive image will not only help the company to attract customers, but it will also exercise a positive influence on current and potential customers. In the case of Islamic banking service providers, commitment towards various social welfare initiatives and programs could be used as a strategic marketing tool to enhance reputation and secure customers loyalty which is beneficial and profitable for the organization in the long run. This is because through empirical findings, it was found Malaysian customers regard Islamic banking as an institution that should uphold social objectives and promote Islamic values (Dusuki, 2008).

A balanced business orientation and strategy with favorable corporate image, superior service quality and high values provided by Islamic banking service providers can be expected to help prevent Islamic banking customers from switching to other service providers or conventional banking.

The moderator, alternative attractiveness, in this study was found to moderate the relationship between relationship quality and switching intention. This suggests that Islamic banking customers are aware and have knowledge of the competitive alternatives available and if the alternative is attractive, the customers may decide to switch. For this reason, managers of Islamic banking service providers must aim to be the best service provider.

This can be achieved by emphasizing high value in terms of products and services provided to their customers. Managers must also ensure that their customers are always satisfied so that customers become committed to the service provider, hence achieving a long-term relationship.

5.4 Limitations of the Study

While this study makes a contribution to the body of marketing literature and has accomplished the stated objectives, it has several limitations that need to be identified.

Firstly, the different cultural context may affect how customers view relationships which are in line with the findings by Sheth and Partivayar (1995) and Arnold and Bianchi (2001). Therefore, caution regarding the generalization of results of this study must be taken, as they reflect the Malaysian Islamic banking customers in the context of Islamic banking.

Another potential limitation is related to the measures of corporate image and service quality used in this study. The dimensions corporate credibility and reputation, used in this study for the corporate image construct may not be fully captured as this is the first time the construct is used in a relationship marketing model and in an Islamic banking setting.

It is conceivable that other dimensions may exist for Islamic banking customers and this can be developed in future research. Given that this study is one of the first attempts at understanding the phenomenon of customer switching in a dual banking setting future research is required into the other potential variables that may have an impact upon customers' willingness to engage in switching behavior. This will provide managers with a few more useful suggestions as how to retain and reduce defection rates among Islamic banking customers.

5.5 Suggestions for Future Research

The present study focuses on specific aspects of relational effects that influence switching intention in the Malaysian dual banking setting. Future researchers may want to look at the same phenomena in other countries.

Another area of future research is to test the model in different Islamic settings such as Islamic insurance (Takaful) and Islamic co-operatives operating in Malaysia and other countries. Future researchers are encouraged to explore the actual image perceived by Islamic banking customers regarding their service providers. Additional research is needed to see whether differences exist between Muslims and non-Muslims with regard to the image of Islamic service providers in this country.

Accordingly, the study supports the role of alternative attractiveness as a moderator variable between relationship quality and switching intention. Attention must also be given to the possibility of carrying further research to analyze the effect of other possible moderating variables in the relationship between switching intention and its antecedents, such as the psycho-demographic characteristic like the degree of financial knowledge on the part of customers in an Islamic retail banking market.

5.6 Conclusion

Relationship marketing is built on the assumption that attracting, enhancing and maintaining customer relations results in customer loyalty. However, making these relationships successful in achieving this aim is difficult. In this context, this study makes a significant contribution to the relationship marketing literature by proposing a model that empirically investigates Malaysian Islamic banking customers' perspective of their relationships with Islamic banking service providers operating in a dual banking environment.

This model provides a deeper understanding of the relationship between Islamic banking service providers and their customers by examining the association between corporate image, service quality, customer perceived value, relationship quality and switching intention in one single model. Although there could be other constructs other than those incorporated in this model, in particular this study has reinforced the understanding of relationship marketing and the switching intention within the context of Islamic banking in Malaysia.

