

SERVICE QUALITY AND ISLAMIC BANKING: A CONCEPTUAL IDEA

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Abstract

The Islamic Banking System (IBS) is a financial system governed by the principles of Islamic law in which the basic sources of Islamic law are the Qur'an and the Sunnah, followed by jurists and interpreters (scholars). The core feature of IBS is the prohibition of payment and interest (Riba) in the Qur'an. Islam's strong opposition to interests and interest in the modern commercial banking system has prompted Muslim thinkers to explore the unorganized organization and methods of commercial banking. In this study we present a conceptual idea on the service quality and its impact on Islamic banking.

Keyword: Islamic Banking, Service Quality

1.BACKGROUND

According to Kumati (2008), the banking sector intermediates between creditors and depositors; a crucial role in all emerging economies of a nation. The economy of Syria has improved and the development is especially obvious in the banking industry. The positive change in the banking industry is attributable to profitability, efficiency and government intervention; factors which were not among the priorities. Kumati (2008) argued that the change has made weak some aspects of administrations which were not expected. The government of Syria has put in place policies that aims at making the banking sector improve its performance and liberalize it. In response to this development, private banks have been opened. They has also been enactment of laws to encourage foreign investors to participate in the development of the banking sector. Services, regulations and services in the banking sector are still limited amid the implementation of the policies over a decade ago. Delay in opening of different aspects of this

industry (e.g. Islamic banking), has made some groups to be financially excluded.

As a result of dissatisfaction, Muslims, led by the Islamic law, are looking for a banking system that is in line with their doctrines. Kumati (2008), coined out that the saving habits of Muslims is determined by what they believe is prohibited interest. Citizens of Syria are losing an opportunity to use their saving in a profitable and a productive way as a result of financial exclusion. They stick to keeping their savings in gold and thus does not remain in contact with banks. The government has also introduced an open economy system but many investors are still not taking advantage of these opportunities (Kumati, 2008).

According to Sol (2007), Shariah Compliant Financial System (SCFS) has been trying to has for the last two decades tried to extend its outreach to the level of conventional banking. This system connotes 10-15% per year global rates. The framework of SCFS was unclear and hence the slow entry into the financial market. A lot of supervisory authorities and practitioners are not well versed with SCFS despite its consistent growth.

Hegazy (1995), coined out that more often than not, the choice of some banking systems like IBS is religiously motivated. This statement was in line with what Haron et al. (1994) mentioned. Erol, El-Bdour (1989) and Erol et al. (1990) differed with the above groups of authors and mentioned that religion is not one of the reasons why Muslims use Islamic banks. The intervention of the national government can help IBS grow, (Gait & Worthington, 2008). For financial stability, it is important to have a clear understanding of IBS especially at the commercial level, (Sol, 2007).

Studies have shown that there is a huge difference in profitability between IBS and conventional system, (Bakar, 2010; Hanif, 2011; Loghod, 2007). IBS is less prone to liquidity compaired to conventional system. The conventional system is also more dependent on

external liabilities, (Loghod, 2007). There are very few studies on the satisfaction of customers using conventional systems. These studies have also not explained the reasons why things are done the way they are done now.

Gait et la. (2009) coined out that there is need to study the relationship between the quality of services offered and the satisfaction of clients in developing countries. Gait and Worthington (2008) religion can influence industrial and business organizations ordered to practice IBS. It is therefore clear that religious obligations is an important determinant of whether an individual will subscribe to Islamic Banking System.

2.LITERATURE

This section highlights the definitions of the elements used in the study:

2.1. The Intention to Subscribe the Islamic Banking System (IBS)

According to Swan and Trawick (1981), behaviour intention is a person's behaviour planned for the future. In this research however, behaviour intention is the plan of the Syrian citizens to subscribe to Islamic banks. It indicates that bank users tries to figure out on whether or not they should subscribe to a given banking system. It is the willingness and readiness of an individual to use the Sharia Compliant Financial System.

2.2. Service Quality (CARTER'S Six Dimensions)

According to Othman and Owen (2001), service quality is the ability of a product to meet the demands of its users. The two also defined compliance as the ability to adhere to Shariah terms in regards to banking. In simple terms, it is the ability to accomplish with Shariah values and adhere to the principles of IBS and its economic roles. The ability to meet the demands of clients should be sustainable.

2.3. Knowledge and Awareness of the Islamic Banking System (KU)

Awareness is showing knowledge, understanding, observation or the right perception towards a given situation. Knowledge is the reality of knowing a given

matter through education or experience, (Wirtz & Mattila). According to the English dictionary, awareness is knowing that something exists. The Cambridge dictionary (2013) defines knowledge as knowing that a specific thing does exist and having understanding of that matter at that specific time and this should be based on experience or certain information.

Generally, awareness is knowledge gained by means of information or through an individual's experience. This study employed the above definitions of awareness and knowledge of IBS to assess their relationship with the behavior intensions of the customers in the Syrian banking context. For purposes of this study, the definition by Wirtz and Mattila (2003) is used.

2.4. Significance of the study

This study is first of its kind. Its significance is based on its purpose and originality. It is the first research in this academic level in Syria. This research will shed light on the principles, nature and structure of IBS and thus help in explaining its target sector.

Many aspects of the Syrian banking sector have not been discussed or analyzed before, the findings of this study will benefit academic researchers, policy makers and strategic planners. It creates a clear path for the introduction of a new banking system in Syria.

This study focuses on the factors affecting the utilization of IBS in Syria. The findings of this research are important not just to the banking sector but to the general public, the government, and the field of academia. This study is among the empirical studies on the challenges facing the utilization of SCFS and IBS to be precise within the Syrian financial industry.

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