

Trust and Loyalty among Islamic and Conventional Bank Customers in Malaysia

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ABSTRACT

The purpose of this study is to explore the dimensions of service quality and test an integrative model to study the influence of service quality, image, and trust on customer loyalty in the Malaysian banking sector. In this study, the service quality model is enhanced to improve the bank's image. Structural Equation Modelling (SEM) was used to test the proposed research model. The proposed model indicates that delivering high-quality service can result in achieving the well-known image; the result also shows a positive relationship between image and trust, and trust and customer loyalty in both Islamic and conventional banks. Therefore, based on the findings, service quality, bank image and trust are considered to be antecedents of customer loyalty. Bank image is indirectly related to customer loyalty through trust.

Keywords: Conventional bank, image, Islamic bank, loyalty, trust

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INTRODUCTION

Malaysia practices a dual banking system in which Islamic banking operates alongside the conventional banking system. Islamic banking products and services are similar to conventional banks, except their transactions need to be compliant with Islamic law. As results, the Islamic banks face competition with conventional banks in banking products and services. Bravo et

al. (2010), and De Leaniz and Rodríguez (2016) found that corporate image was the most effective means of differentiation in banking. However, most of the prior studies on banking industry have focussed service quality and customer satisfaction on customer loyalty (for example, Amin et al., 2013; Awan et al., 2011; Kashif et al., 2016). Our study adds to this literature by exploring the impact of service quality on bank image, trust and customer loyalty.

A firm's image consists of two elements, which are functional and emotional. The functional dimension refers to the tangible aspects that are easy to recognize and measure. Whereas the emotional aspect is related to the psychological characteristics that are manifested by individual experiences and attitudes toward the firm. Most researchers agree that image is an outcome of a process; therefore, corporate image is the consequence of a collective process by which customers compare and weigh the various attributes of companies (Bravo et al., 2009; Nguyen & LeBlanc, 2001). According to Kang and James (2004), an image is viewed as a filter in terms of a customer's perception of quality. Lee et al. (2011) stated corporate image was the end result of all interactions based on experiences, impressions, beliefs, feelings, and knowledge that individuals had about a company. Na et al. (1999) argued that image must include perceptions of customers and benefits gained from the product/service. Lai et al. (2009) found that service quality significantly influenced corporate image and subsequently affected customer loyalty.

Ladhari et al. (2011) indicated that service quality had a direct effect on bank image because the customer could be influenced by different service encounters.

This study proposes to measure service quality by applying five dimensions: empathy, tangibility, reliability and security, core product and Internet banking. These five dimensions can be grouped as functional components of the bank's image. The purpose of this study is to explore the impact of service quality on bank image, trust and customer loyalty. The proposed model implies that delivering high-quality service will enhance an image and improving customer trust and loyalty. Since Malaysia practices a dual banking system, it would be interesting to make a comparison of the service quality, corporate image, trust and customer loyalty between conventional and Islamic banks.

RESEARCH FRAMEWORK AND HYPOTHESIS DEVELOPMENT

The service quality conception includes both the service outcome (the result of a service production process) and service delivery process (how the outcome of a process is transferred to the client) (Lehtinen & Lehtinen, 1991; Parasuraman et al., 1985). Service quality is a comparison of service expectation and performance (Parasuraman et al. 1985). Previous studies agreed that service quality was a multidimensional construct; however, there was no concrete agreement with regards to the generic dimensions. Parasuraman et al. (1985, 1988) suggested five dimensions SERVQUAL

-tangibility, empathy, reliability, responsiveness, and assurance. Tangibility is defined as the physical attributes, equipment, environment, and cleanliness as a whole (appearance). Empathy refers to the capability of employees in understanding the special needs or feelings of customers and provides thoughtful and individualised attention to customers. Reliability refers to the ability of staff to deliver the services promised, independently, and accurately. Passion of staff to assist customers and rendering prompt services is known as responsiveness. Assurance describes customers' trust and confidence on the ability, knowledge, credibility, and competence of the employees.

Physical facilities, availability, adequacy of equipment, and the appearance of the bank's employees are viewed as important factors in terms of tangibility among banks' customers in Hong Kong (Lau et al., 2013), where some of them are unfamiliar with the e-banking system or prefer to walk-in to the branch. Besides, bank users in India (Ravichandran et al., 2010), Pakistan (Zafar & Khan, 2010), Bangladesh (Rahman, 2013) also ranked tangibility dimension as highly important to increase customer satisfaction and loyalty. However, the emergence of self-service terminals, such as Automated Teller Machine (ATM) and e-banking services, which are widely accepted among the bank users, have changed the banking scenario. Recent studies found that tangibility has now become less important as a major contributor to the increase in the level of customer loyalty (Alidadi & Nazari, 2013; Lo et al., 2010; Nupur, 2010; Shanka, 2012).

The second element in SERVQUAL model is empathy, where the employees

are aware of, and have concern, for the needs of customer, and the ability to solve problems immediately. Estiri et al. (2011) revealed that empathy played a vital role in influencing customer satisfaction with regard to the value of service quality provided by front line staff and supported by few researchers (Annamalah et al, 2011; Kamal et al, 2013; Shanka, 2012; Siddiqi, 2011). Many banks in Malaysia provides a special lane for the elderly, pregnant, and disabled customers, and some even extend this service to those who have come with young child, where a special counter is set up with staff assisting customers to fill-up the transaction form, and directly guide the customer to the relevant unit without having to wait for the queue number to reduce the waiting time. This inevitability increases the willingness of existing customers to revisit the same bank and also to attract new customers.

Research conducted by Kashif et al. (2015) proved that tangibility, followed by assurance, were viewed as the second most important factor in meeting customer satisfaction and increasing customer loyalty among bank customers in Malaysia. This finding is supported by Annamalah et al. (2011) where empathy and assurance were found to be the most essential requirements to improve customer satisfaction and develop customer loyalty towards retail banking services.

According to a research conducted by Kashif et al. (2015), reliability viewed as less important among Malaysian bank users as Asean culture is said to be polychronic

in nature. Their main concern is the people themselves. Hence, there is a tendency to build lifetime relationships, instead of being task oriented and focus on one thing at a time. However, reliability has been identified as an influential component in determining customer loyalty in previous studies (Estiri et al., 2011; Kumar et al., 2010; Lau et al., 2013; Mistry, 2013). Recently, few researchers revealed that the main concern of e-banking system was the issue of security (Gupta & Bansal, 2012; Rahman, 2013; Yaya et al., 2011). Hence security is defined as personal safety and confidentiality of the customer of his or her possessions while participating in or benefiting from the service process (Johnston, 1997). Therefore, previous discussions lead to developing the following hypotheses:

H1: Empathy has a positive impact on bank image and reputation.

H2: Reliability and security has a positive impact on bank image and reputation.

H3: Tangibility has a positive impact on bank image and reputation.

Core Products

Interest rates, product prices, fees, and bank charges, known as content of a service may have a direct effect on customer satisfaction and recommendation to family and friends on the services offered by certain banks (Clemes et al., 2010; Khan et al., 2010). Past researchers evaluated perceived service value as the trade-off between price and benefits received. Hence, failure to fulfil the expectation of customer will lead to

decreased level of loyalty (Estiri et al., 2011; Rombe & Ponirin, 2014). Results generated from Amin et al. (2011) research discovered that non-Muslim Malaysian customers placed a high premium on a variety of products and profitability offered in determining switching intention. Besides business-to-customer circumstances, large corporate customers also rely on the core products provided by the banks as it normally involves larger amount of loan and a variety of transactions (Fragata & Muñoz-Gallego, 2010). Hence, banks should offer special benefits such as higher investment returns or longer loan payback period based on the needs and size of the company and the expected zero error record as a single mistake in any transaction can have a serious negative impact on the company. In addition to the traditional product portfolios such as saving accounts, current accounts, and investment accounts, innovative products are also important to increase the competitive advantage in the banking industry. Hence, the following hypothesis:

H4: Core products have a positive impact on bank image and reputation.

Internet Banking

In correspondence with customer's expectation, a new dimension of internet banking is gaining in importance in the banking industry. Besides tangible equipment like conveniently located ATM facilities, bank users rely on advanced technology to carry out banking transaction anytime or anywhere. According to a survey

conducted by Akdag and Zineldin (2011), the critical role of technology is in raising attention among banks because Turkish bank users ranked technology as the third attribute during selection after speed of services and safety issue. Therefore, bank should design different approaches to improve their technology delivery system in overall service quality. In addition, previous researchers mentioned that online service quality is based on five key dimensions, which are ease to use, website interactivity, customisation, assurance, and responsiveness (Butt & Aftab, 2012). Implementation of internet banking could effectively reduce waiting time and allow bank users to receive immediate updates with regard to their account information, and hence improving bank image and reputation. However, bank should focus more on security and privacy issue to build confidence of customers to continue using internet banking. A secure and effective banking image will increase customer's loyalty and confidence, thus to continue adopting internet banking service (Roche, 2014). Hence, the following hypothesis:

H5: Internet Banking has a positive impact on bank image and reputation.

Image and Reputation

Corporate image or reputation reflects the standard of product and service quality in the eyes of the public and is viewed as key factor in marketing strategy. Frequent visiting behaviour to certain banks relates to the superior service quality provided by the bank. A study on Ghanaian students'

loyalty to banking service revealed that besides satisfaction on overall service quality, bank image was ranked as the second consideration when selecting service provider (Narteh, 2013). Yavas et al. (2014) further investigated the moderating role of gender between image and customer loyalty showed there was no significant moderating effect of gender on bank image and customer loyalty level but they said extrinsic image of a bank was more influential than intrinsic image. For example, global impression of a bank is far more important than interpersonal relationship between front line staff and bank user. Thus, the following hypothesis:

H6: Image and reputation has a positive impact on customer trust.

Trust

Past researchers found that trust mediates the relationship between customer satisfaction and loyalty level towards certain banks. Reason being, some customers are unable to differentiate the products and services offered by the banks. Hence, trust plays an important role in determining the level of loyalty towards the service provider. Trust formed when customer believes that the bank will perform as promised (credibility trust) and have confidence in the employee's ability and courtesy (benevolence trust) (Yap et al., 2012). Jjan and Abdullah (2014) reported that trust in the banking sector increased the awareness on the importance of technology-related critical success factors. The quality of how bank manages operationally and ability to maintain its customers' confidential details are said

to build confidence of the customers, and hence increases the level of satisfaction. Moreover, few researchers said higher overall service quality will lead to higher level of trustworthiness and positively increases the level of customer loyalty. For that reason, banks must constantly improve the quality of their products and services for better reputation in order to attract new customers and retain existing customers (Amin et al., 2013; Gillani & Awan, 2014). Hence, the following hypothesis:

H7: Trust has a positive impact on customer loyalty.

Moderating Roles of Conventional Bank and Islamic Bank

Previous studies have shown that the five dimensions in SERVQUAL model cannot be applied to all banks worldwide due to the dissimilarity in customer characteristics, generation, religion, ethnic, culture, and country (Gupta & Dev, 2012; Mandal, 2015; Narteh, 2013; Rombe & Ponirin, 2014; Sangeetha & Mahalingam, 2011). Due to the growing importance of Islamic economies in the banking industry, comparison of Islamic bank and conventional commercial banks was recommenced recently (Sangeetha & Mahalingam, 2011). Muslim is also the fastest growing religion in the world as reported by the Pew Research Center (2017).

From the beginning of year 2008 to 2012, Islamic bank has achieved 20% compound annual growth rate (Ernst & Young, 2013) and has been recognised as the third largest sharia-compliant assets with estimated US\$197b after Iran (US\$476b) and Saudi Arabia (US\$227b) (The Banker,

2013). In the Malaysian context, the largest player for both commercial and Islamic bank is Malayan Banking Berhad (Maybank) with total assets worth US\$161b by the year 2014; followed by Public Bank Berhad with a slightly lower pre-tax profit compared to CIMB Group. Public Bank Berhad was ranked as top 5 Asean banks with US\$6.68b in Tier 1 capital while CIMB Group has US\$5.10b in Tier 1 capital (The Banker, 2014). Top Islamic Financial Institutions, top 100 Asean banks and top 7 Malaysian banks are summarised as follows (Appendix 1 - 3).

Overall, Muslim customers of Islamic banks have a strong preference on Islamic banks and products (Ireland, 2018). Bank customers believe that Islamic financial institutions have greater accountability and risk mitigation, but research conducted by Amin et al. (2013) had increased awareness of the bank's top management where results showed that non-Muslim customers looked at the practicality aspect, which translated into the likelihood of switching to other Islamic bank or conventional bank if they were not satisfied with the bank's financial performance. Therefore, Islamic banks must continuously introduce attractive Islamic investment products to retain different groups or segments of customers.

Next, Taap et al. (2011) proved that there was a significant difference between conventional and Islamic bank in terms of perceived service quality among Malaysian bank users. Most of the Islamic bank customers are unhappy with the convenience dimension, i.e. limited ATMs, and followed

by the employees' level of competency. Hence, banks must focus on human capital development through training to enhance employees' knowledge on Islamic banking, and consequently increase the trustworthiness and confidence of customers towards products and services offered by the bank.

Furthermore, recent study also showed that by providing personalised consultation, understanding the special needs of customers, professional services, and well-furnished branch offices will increase customer satisfaction and ensure loyalty toward certain Islamic banks in Malaysia (Kashif et al., 2015).

Compared with conventional bank, image, and trust play an important role in influencing Islamic bank customers' loyalty level because bank users strongly believe that Islamic bank management will execute and operate all banking activities according to the principles of Islamic law so bank management should introduce loyalty program and extra benefit in appreciation of the trust and support from customers to ensure that the bank could achieve the established financial performance and successful with customers' repeat visiting behaviour in the future (Al-jazzazi & Sultan, 2014; Amin et al., 2013; Estiri et al., 2011; Kashif et al, 2015; Siraj & Sudarsanan, 2012). Therefore, further research is required to provide an in-depth understanding and knowledge of the different types of bank strategies to increase the competitive advantage within banking industry. Hence, the following hypotheses:

H1a: Types of bank (conventional and Islamic bank) moderate the relationship between empathy towards bank image and reputation.

H2a: Types of bank (conventional and Islamic bank) moderate the relationship between reliability and security towards bank image and reputation.

H3a: Types of bank (conventional and Islamic bank) moderate the relationship between tangibility towards bank image and reputation.

H4a: Types of bank (conventional and Islamic bank) moderate the relationship between core product towards bank image and reputation.

H5a: Types of bank (conventional and Islamic bank) moderate the relationship between Internet banking towards bank image and reputation.

METHOD

Measurement and Data Collection

Questionnaire was designed to collect data from regular conventional and Islamic bank customers in Klang Valley. Convenience sampling method was used as the target respondents are conveniently available outside the bank. Top Islamic and conventional banks were chosen. Customers walking into and out from the banks were approached. Around 900 questionnaires were distributed to different branches of the banks. A total of 748 responses were gathered for further analysis. All items were measured on a seven-point Likert scale ranging from 1 "strongly disagree" to 7 "strongly agree" To test which

causal relationships remain significant, the structural equation modelling procedure was used using AMOS 18.

For the current study, items related to tangible, reliability and security, and core product were adapted from Bahia and Nantel (2000), and Host and Knie-Andersen (2004). The measurement for the empathy dimension was adapted from Kumar et al. (2010) while the items for online banking were adapted from Kassim and Abdullah (2010). We argued that these factors have significant effect on bank image and reputation. The attributes of bank image were adopted from Keller (1993) and the items for trust were adapted from Singh and Sirdeshmukh (2000). Customer loyalty was adapted from Ladhari et al. (2011) and hypothesized as continuous patronage to the said bank for a certain period of time.

RESULTS

Demographics

The results showed that 48% of the respondents were males and 52% were females. The majority were between 20 and 40 years old. Among the respondents, 70% preferred online banking, 71% preferred using machines, and 67% favoured going to the counters to perform transactions. About 40% of the respondents have been with the same banks for 1-4 years, while 38% responded that they have been with their respective banks for 5-10 years and 19% said that they stayed with the same bank for more than a decade. With regards to the types of accounts they possessed, 93% of them have savings account, 48% have

current account, 18% have fixed deposit, and 54% took the loan facilities. 52% of them perform less than five transactions a month while 20% have between 6 to 10 transactions a month. 4% have 11 to 15 transactions a month. 65% of respondents indicated that they contacted their banks in the last 12 months with problems while 35% did not have any transaction in a year.

Data Analysis

The Cronbach's alpha coefficient for all dimensions exceeded 0.7, indicating high content consistency between the questions relating to each of the constructs. Confirmatory factor analysis was conducted through AMOS to test the measurement model and explain how the measured variables logically and systematically represent the constructs involved in a theoretical model. The results of assessment for model fit indices show four of the goodness-of-fit indices, that is the Chi-square (χ^2) value is 777.36, the χ^2 /df with a value of 2.967, the Comparative Fit Index (CFI) with a value of 0.959, and Root Mean Square Error of Approximation (RMSEA) with a value of 0.051 are within the acceptable level. However, three other assessments of goodness-of-fit indices, the Tucker Lewis Index (TLI), with a value of 0.950, goodness of fit (GFI), with a value of 0.924, and Adjusted Goodness of Fit Index, with a value of 0.898 are more than the 0.90 (Table 2), yield adequate model fit for the empirical data (Hair et al 2006). All loading of path estimates ranged between 0.60 and 0.90, and the signs of parameter estimation

were all in the same direction to measure specific latent variables. The result of variance extracted and composite reliability (Table 1) were calculated and revealed that the composite reliability on all constructs was greater than 0.80 and the output of average variance extracted (AVE) for all variable were higher than 0.50. Thus, these results prove the reliability and convergent validity of the data. Overall, the analyses

support convergent and discriminant validity.

Structural Model Testing

The structural model examined the influence of empathy, tangibility, online banking, core product and reliability and security on bank image and reputation. The influence of bank image on customer trust and loyalty were measured with this model. We tested the proposed structural model for overall model

Table 1
Composite reliability, correlation and square root of AVE

Construct	CR	1	2	3	4	5	6	7	8
Empathy	0.808	0.823							
Reliability and Security	0.721	0.625**	0.679						
Tangibility	0.803	0.610**	0.565**	0.817					
Core Product	0.718	0.325**	0.260**	0.350**	0.697				
Online banking	0.931	0.570**	0.684**	0.584**	0.363**	0.854			
Image	0.822	0.579**	0.722*	0.562**	0.289**	0.700**	0.727		
Trust	0.897	0.552**	0.713**	0.594**	0.392**	0.694**	0.723**	0.897	
Customer Loyalty	0.893	0.583**	0.663**	0.554**	0.187**	0.625**	0.728**	0.777**	0.893

Notes: values on diagonal are square root of AVE; CR= Composite reliability; *: $p < 0.05$; **: $p < 0.01$

Table 2
Standardised estimates of structural model

	Chi-Square	Probability	χ^2/df	SRMR	TLI	CFI	NFI	RMSEA	GFI	AGFI
Structural model	1088.3	0.000	3.12	0.062	0.926	0.937	0.915	0.059	0.898	0.871
Measurement model	777.36	0.000	2.967	0.038	0.950	0.959	0.940	0.051	0.924	0.898

fit, and the results indicated acceptable fit of the data to the model. The results of assessment for model fit indices (Table 2) show that the data fit the model well with the value of Chi-square (χ^2) equal to 1088.3, $\chi^2/df = 3.12$, CFI = 0.937, RMSEA = 0.059, TLI = 0.926, GFI = 0.898, and AGFI = 0.871 (Hair et al., 2006).

The results revealed that there was a strong and significant relationship between reliability and security, and online banking towards bank image and reputation (Table 3). Empathy had significant relationship towards image and reputation. The effect of tangibility and core product and service was significant but not very strong. The influence of image and trust were positive and strong towards customer loyalty. The SEM analysis showed that all of the hypotheses were supported with significant variance explained; indicated that the proposed model was a useful instrument for testing bank image, customer trust to the bank and loyalty.

The results show that empathy, reliability, tangibility, core product and internet banking are able to explain 74% of the variance in bank image and reputation. In addition, there is a strong significant relationship between bank image and reputation towards customer's trust. Bank image was able to explain 84% of the variance in customer trust. In turn, customer trust predicts 71% of the variance in customer loyalty. These results confirmed the importance of empathy, reliability, tangibility, core product and internet banking as direct determinants of bank image which will affect customer trust and loyalty.

We examine the moderating effects of types of bank (conventional = 483 and Islamic bank = 265 customers) on the relationship between empathy, reliability and security, tangibility, core product, and internet banking towards bank image and reputation (see Table 4). The results confirmed that Islamic and conventional bank customers had different experiences,

Table 3

Hypotheses testing results

Constructs	Hypothesis	β	S.E.	C.R.	P	Support
Empathy → Image	H1	0.107	0.031	2.550	0.011	Yes
Reliability & Security → Image	H2	0.419	0.042	8.437	***	Yes
Tangibility → Image	H3	0.096	0.048	2.354	0.019	Yes
Core product → Image	H4	0.075	0.026	2.297	0.022	Yes
Online Banking → Image	H5	0.335	0.035	7.405	***	Yes
Image → Trust	H6	0.921	0.051	17.676	***	Yes
Trust → Customer Loyalty	H7	0.845	0.051	18.583	***	Yes

Notes: B = Standardised Regression Weight, S.E. = Standardised Error, C.R. = Critical Ratio. ** < p-value 0.05 and *** p-value < 0.01

Table 4

Hypotheses testing results

Hypothesis	Type of Bank	β	S.E.	C.R.	P	Support
H1a	Islamic	0.211	0.076	2.953	0.030	Yes
	Conventional	0.104	0.031	2.550	0.011	
H2a	Islamic	0.573	0.042	8.437	***	Yes
	Conventional	0.310	0.039	6.461	***	
H3a	Islamic	0.035	0.025	0.295	0.768	No
	Conventional	0.104	0.073	1.104	0.270	
H4a	Islamic	0.144	0.063	2.624	0.009	Yes
	Conventional	0.001	0.032	0.401	0.688	
H5a	Islamic	0.335	0.035	7.405	***	Yes
	Conventional	0.409	0.057	2.970	0.003	

Notes: B = Standardised Regression Weight, S.E. = Standardised Error, C.R. = Critical Ratio. ** < p-value 0.05 and *** p-value < 0.01

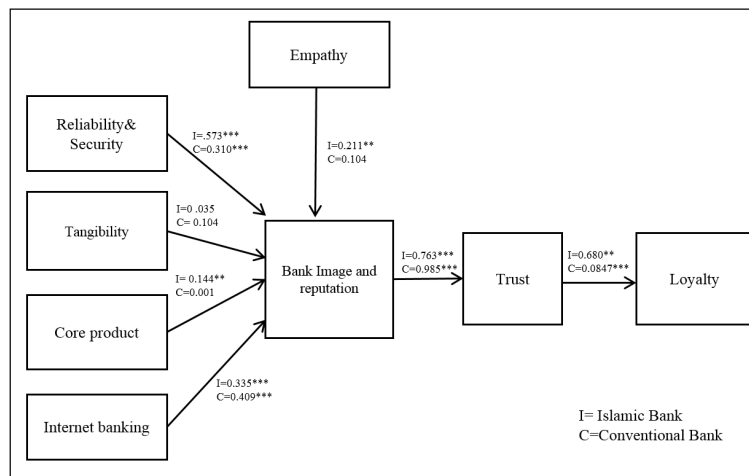


Figure 1. Summary of results

impressions, and feelings about the bank that they had account.

Empathy was a significant factor for the Islamic bank customers while the effect is not significant for the conventional bank customers. It suggested that Islamic bank customers put more emphasis on the behaviour of the employees in the bank. It

showed that these customers had more face-to-face interaction with the bank employees and its importance for them that how bank employees treat them.

Reliability and security of the bank were important factor among the conventional and Islamic bank customers although the effect was stronger for Islamic bank customers.

Islamic bank reputation influenced positively its customers' intention to use it (Kaabachi & Obeid, 2016). The issue of the security of the bank is important among all the customers since it is related to the safety and security of the customer. Tangibility is not significant factors for both groups of customers. This may suggest that nowadays all the bank have an acceptable level of cleanest, and infrastructure and most of the transaction can be accessed through internet banking and ATM therefore tangibility is not big concern for the customers.

Core product is a significant factor for the Islamic bank customers while it is not of significance to the conventional bank customers. This shows that the core product that an Islamic bank offers is important for their customer and can be one of the reasons that these customers prefer to have account with the Islamic bank. This may not be significant for the conventional bank customers because all the banks offer a variety of the services that they need and it is not hard to find what they want from the other bank. Internet banking is important for both groups, although the effect is slightly higher for the conventional bank consumers. Availability of information technology and facilities that bank can provide for the customer is more important for customers. Many customers are willing to do all the transaction online and prefer to not go to the bank for the transaction; therefore providing these facilities will affect them and will improve bank image and reputation. Surprisingly, the effect of bank image and reputation is higher among

the conventional bank customers compare to Islamic bank customers. It is highlighted that even though bank image and reputation is an important factor among them but there are other factors as well, which affect Islamic bank customers' trust and loyalty. Bank image and reputation have a strong effect on conventional bank customer's trust and loyalty.

DISCUSSION

Results indicated that service quality significantly enhances the bank image, trust and customer loyalty. The image had an indirect effect on loyalty through trust, and trust served as a medium that linked image and customer loyalty.

In a dual banking system, the banking sector, including Islamic banks, is becoming highly integrated and competitive; therefore, the services provided by the banks to their customers are crucial. The quality of services as the basis of customers' perceptions of the services provided could affect bank image. Our result was consistent with previous findings, and proposes that customer service quality evaluations are the primary cause of bank image. This suggests that customers will have a favourable image when the level of service quality is high. Ostrowski et al. (1993) examined airline service and argued that "*positive experience over time (following several good experiences) will ultimately lead to positive image*". Corporate image stems from all customers' experiences, and service quality is representative of these experiences. Hence, the perception of

service quality directly affects the perception of corporate image (Aydin & Ozer, 2005). Thus, customers' experience with products and services is deemed the most crucial element that influences his/her minds in regard to image.

The finding supports the notion that differences do exist for service quality, bank image, and trust toward customer loyalty across customers of conventional and Islamic banks. The result shows that Islamic banks customers have greater service quality perception towards bank image as compared to conventional banks customers. In practice, Islamic banks approaches are different from conventional banks because their operations are based on Islamic principles. In Islamic banks, all financial services are based on honesty, justice, trust and equity (Hoq et al., 2010). These principles would have an influence on customer perception towards image of Islamic bank. The dimensions of service quality, namely empathy and core product is significant and likely to improve Islamic bank image. However, for conventional banks, customers are not significantly concerned about the empathy and core product or service they received. This result suggests that customers of Islamic banks focus more on the banks understanding and concern for the needs of individual customers, bank's staff knowledge of Islamic products and their ability to answer customers' queries, service charges and types of Islamic financial services and products offers. When a customer positively evaluates a bank's commitment to conform

to the Shariah law, it influences his/her perceived assessment of the service quality of that bank and reputation with the service provider. However, if Islamic banks offer non-Shariah complaint products, bank image will be tarnished.

The findings of this study further reveal that the other two service quality dimensions such as reliability & security, and internet banking are significant determinants of the image of both types of bank. Reliability & security are the most important influencing factor of image, followed by internet banking. This implies that more reliable & secure bank offering will certainly contribute to a strong image. The reliability & security is related to the ability of the staff to deliver the service and to inspire feeling of security, and the ability of bank to perform the promised service accurately and without error. The high tech approach (internet banking) in the service delivery is also an important factor when assessing the level of the service quality provided. The possible explanation might be the fact that due to the convenience of internet banking and no queuing of services as customers' expectation compared to personal visit to bank. In these circumstances, modern-looking equipment of the banks and banks' physical facilities are not an important factor in the creation of perception of service quality for evaluating image.

Customer loyalty is also affected by corporate image. The role of corporate image was assessed during the formation of customer loyalty in the service sector, where there is an indirect and direct influence of

image on loyalty (Andreassen & Lindestad, 1998). Our result suggests that there is a significant direct relationship between bank image and trust, and indirectly affects their loyalty. Therefore, bank image is a very important factor for trustworthiness. The results of this study are consistent with previous findings that image has been identified as a major driver of trust (Flavian et al., 2005; Mukherjee & Nath, 2003). For example, Flavian et al. (2005) suggested that image played an important role in the formation of customer trust in the banks.

Within the banking industry, trust means that the bank is reliable, dependable, and practices integrity. The test results indicate that there is enough empirical evidence to state that trust significantly enhances customer loyalty in both Islamic and conventional banks. In this respect, Kaur et al. (2012) and Shainesh (2012) found that trust was acknowledged as an important indicator in developing customer loyalty. Our result also indicates that trust has a mediating role over an image-customer loyalty path. Therefore, as the reputation of bank gets better, customers will have a higher level of trust that in turn also increases customers' loyalty to the banks.

Overall, result indicates that image plays a role in building trust, and indirectly enhancing loyalty. The effect of image on trust and trust on customer loyalty is greater for conventional banks than for Islamic banks. This suggests that when customers believe that the image of conventional banks is delivering high-quality service, a favourable image would emerge and

reinforce customers' confidence in their bank, he/she will then trust the bank, and to sustain long term relationship with their bank. Furthermore, a favourable attitude in the form of image assessments would motivate customers to resist competitive offerings.

CONCLUSION

Most of the previous studies focused on the relationship between service quality and satisfaction in service industries. This study is different from previous study which examined effectiveness of high service quality and its effect on bank image and long-term relationship with customers. Since banking industry is highly competitive and banks are offering similar services and products, therefore building a strong image that is significantly different from other banks within the same industry is a fruitful investment.

Therefore, Islamic and conventional banks should not just focus on improving the relationship between service quality and customer satisfaction but should target on improving customers' perceptions of service quality to the extent that it will have a positive impact on the bank image. This approach will assist Islamic and conventional banks in maintaining/sustaining their existing customers and also in developing their banking image. This research is also in line with the Industrial Revolution 4.0 where banks need to be flexible enough to accommodate and personalise customers' experience as it is always costly to attract new customers.

This study is a preliminary attempt to explore the dynamic relationship among

service-related factors: service quality, image, trust, and customer loyalty. There are, however, limitations in the current study. This study focused on the banking industry only. Given the great diversity in the services industry, these findings may have to be tested in the different services provided in the industry. Most importantly, the results indicated that service quality may play an important role in producing a strong image.

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APPENDIX

Appendix 1: Top Islamic Financial Institutions

Top Islamic Financial Institutions – Malaysia Commercial Bank				
Rank	Institution	Sharia- compliant assets (\$m)	Total assets (\$m)	Full Islamic Banks (S) / with Islamic Windows (W)
1	Malayan Banking Berhad (Maybank)	30,380.80	161,826.00	W
2	Bank Rakyat (Bank Kerjasama Rakyat Malaysia Berhad)	25,902.00	25,902.00	S
3	CIMB Group Holding	19,263.50	110,221.00	W
4	BIMB Holdings	14,358.00	14,358.00	S
5	AMMB Holdings	10,637.10	41,528.20	W
6	Public Islamic Bank Berhad	958.10	958.10	S
7	Bank Pembangunan Malaysia Berhad (Development Bank of Malaysia)	8985.10	8985.10	S
8	RHB Capital	8871.2	61,830.50	W
9	Hong Leong Islamic Bank Berhad	7162.4	7162.40	S
10	Bank Muamalat Malaysia Berhad	6671.1	6671.10	S

Source: The Banker (2013)

Appendix 2: Top 100 Asean Banks Ranking 2014

Rank	Asean Rank	Bank	Country	Pre-tax Profit (USD\$m)
1	2	Oversea Chinese Banking Corporation (OCBC)	Singapore	4,053.81
2	1	DBS Bank	Singapore	3,763.89
3	3	United Overseas Bank (UOB)	Singapore	2,737.88
4	4	Malayan Banking Berhad (Maybank)	Malaysia	2,581.62
5	12	Bank Rakyat Indonesia	Indonesia	2,467.38
6	9	Bank Mandiri	Indonesia	2,109.71
7	10	CIMB Group	Malaysia	1,843.69
8	7	Siam Commercial Bank	Thailand	1,671.03
9	5	Public Bank Berhad	Malaysia	1,669.04
10	11	Kasikornbank PCL	Thailand	1,599.01

Source: The Banker (2014)

Appendix 3: Top 7 Malaysian Bank Brands with Strong Growth in ASEAN

2017 Rank	2016 Rank	Brand Name	2017 Brand Value (USDm)	2017 Brand Rating
90	101	Maybank	2,548	AAA-
108	110	CIMB	1,894	AA+
135	151	Public Bank	1,477	AA+
221	239	RHB Bank	627	A+
265	304	Hong Leong Bank	472	AA-
298	350	AmBank	392	AA
424	440	Bank Islam	233	AA-

Source: Brand Finance (2017)

