

**THE RELATIONSHIP BETWEEN PERCEIVED ISLAMIC BANK
CORPORATE SOCIAL RESPONSIBILITY BASED CUSTOMER
SERVICE AND CUSTOMER SATISFACTION: THE ROLE OF
RELIGIOSITY AS A MODERATOR**

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DEDICATION

**To my understanding, patient, and loving parents, Ahmadkamae and
Chematuroh Waemusor**

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In the name of Allah, the Most Gracious, the Most Merciful. All praises and thanks are due to Allah, the Lord of the Worlds, for all His bounties and blessings. May peace and blessings be unto the Holy Prophet Muḥammad , his Progeny, and his Companions.

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ABSTRAK

Tujuan kajian ini adalah untuk mengenalpasti hubungan antara persepsi tanggung jawab sosial korporat (CSR) berdasarkan khidmat pelanggan di perbankan Islam dan kepuasan pelanggan Muslim. Tujuan kajian ini adalah untuk mengenalpasti khidmat pelanggan tentang Tanggungjawab Social Korporat (CSR) di perbankan Islam, untuk meyasat kepuasan pelanggan Muslim dalam menggunakan perkhidmatan perbankan Islam, dan untuk menguji adakah 'keagamaan' pelanggan Muslim mempengaruhi kepuasan mereka. Pembolehubah yang dipelajari dalam penelitian ini adalah perkhidmatan pelanggan di perbankan Islam yang terdiri daripada kepantasan dan "efisien" perkhidmatan, pengetahuan dan kecekapan, keselesaan, amalan persekitaran dan kesannya, keagamaan dan kepuasan pelanggan. Sampel terdiri daripada 122 pelanggan Muslim yang tinggal daerah di sekitar Pulau Pinang. Ukuran kebaikan yang diperolehi melalui aplikasi analisis faktor dan reliabiliti digunakan untuk meningkatkan kesahihan soalselidik. Korelasi Pearson, Multiple Regression, dan hirarki regresi digunakan dalam ujian hipotesis untuk menganalisis. Penemuan menunjukkan bahawa kepuasan pelanggan dengan perkhidmatan perbankan Islam adalah berkaitan dengan keagamaan mereka. Bukti empirikal dari kajian ini menunjukkan bahawa pengetahuan perkhidmatan yang cekap dan segera, staf yang berpengetahuan dan cekap, dan keselesaan mempunyai pengaruh terhadap kepuasan pelanggan. Bagaimanapun keagamaan, dikenalpasti mempunyai signifikan antara keselesaan dan kepuasan pelanggan, persekitaran yang dipraktikkan dan kepuasan pelanggan. Namun, ia juga dikenalpasti bahawa tiada yang signifikan antara perkhidmatan yang cekap dan pantas dengan kepuasan pelanggan, pengetahuan dan kecekapan staf dan kepuasan pelanggan. Penelitian ini memberi keterangan bagi pengurusan dalam industri perbankan untuk mengetahui tentang kepentingan relatif CSR di perbankan Islam untuk tujuan yang lebih baik dalam member khidmat pelanggan.

ABSTRACT

The purpose of this study is to identify the relationship between perceived corporate social responsibility based customer service in Islamic bank and satisfaction of Muslim customer. The objectives of the study are to identify perceived customer service regarding CSR in Islamic bank, to investigate satisfaction of Muslim customer in using Islamic bank customer service, and to examine whether religiosity of Muslim customer influences their satisfaction. The variables under studied in this research were Islamic bank customer service which comprised of fast and efficient service, friendly personnel, knowledge and competent personnel, convenience, environmental practice and impact, religiosity and customer satisfaction. The sample consisted of 122 Muslim consumers located in Penang area. The goodness of measure which obtained through the applications of factor and reliability analysis was used to improve the questionnaire validity. Pearson's correlation, Multiple Regression, and Hierarchical Regression were used in the hypothesis testing in order to analyse the significant of the relationship. The findings indicated that customer satisfaction with Islamic bank customer service is related to their religiosity.

The empirical evidence of this study revealed that fast efficient service, knowledge and competent personnel, and convenience have influence over customer satisfaction. As for the moderator (religiosity), it was noted that there were significant towards between convenience and customer satisfaction, environmental practiced and customer satisfaction. However, it was noted that there were no significant towards between fast efficient service and customer satisfaction, knowledge competent personnel and customer satisfaction. This research provides evidence for the management in the banking industry to know the relative importance of CSR in the Islamic bank for the purpose better providing customer service.

Chapter 1

INTRODUCTION

1.1 Background of study

Today, Malaysia's Islamic finance continues to grow rapidly that is renowned for continuous product innovation, a diversity of financial institutions from across the world, a range of innovative Islamic investment instruments, a comprehensive financial infrastructure and the implementation of global regulatory and legal best practices (Malaysia International Islamic financial centre, 2009). One of important factors that let Islamic banking industry success is customer service in the bank. Providing excellent customer service entails making every effort to satisfy the customers' requests. In view of the increasing CSR activity by banks now, there are many questions raise that how Islamic bank may achieve competitive customer edge in this socially responsible era may lie with taking a more customer need. That is Islamic bank industry must be able to evaluate what customers want, their behaviour and customer satisfaction in term CSR and marketing initiatives which is improved customer service.

Corporate social responsibility (CSR) is related to financial industry especially Islamic banking. As it is one of the main objectives of Islamic bank, consumer always consider on that in selecting service of the bank. First of all, understanding in objectives and philosophy or feature of Islamic is important. According to Chapra (1985, 2000), Ahmad, (2000), Siddiqui, (2001) and Naqvi (2003) as cited in Dusuki (2008) assert that Islamic banking is a subset of the overall Islamic economic system that strives for a just, fair and balanced society as envisioned and deeply inscribed in

the objectives of Shariah. Regarding to Shariah or Islamic law, Muslim follows this rule to perform its business. There is a system grounded on ethical and moral framework of the Islamic law. Obviously, it is a system which aims at contributing to the fulfilment of the socio-economic objectives and society. Furthermore, As IAIB (1990) quoted from Al-Omar & Abdel hag (1996) as cited in Hassan & Abdul Latiff (2009) has viewed the Islamic banking systems involves a social implication which is necessarily connected with the Islamic order itself, and represents a special characteristic that distinguishes Islamic banks from other banks based on other philosophies. In exercising all its banking or development activities, the Islamic bank takes into prime consideration about social implications that may be brought about any decision or action taken by bank. Profitability-despite its importance and priority-is not therefore sole criterion or the prime element in evaluating the performance of Islamic bank, since they have to match both between the material and the social objectives that would serve the interests of the community as a whole and help achieve their role in the sphere of social mutual guarantee. Indeed, Islamic banks must not only focusing on maximising profit, but they should also play a major role in addressing socio-economic issues such as poverty reduction, improvements in important aspects of human welfare like donation to school, illiteracy, reducing child mortality.

Today CSR has play a major role in business organization include Islamic bank industry as well. As consumers now are more concern on social, environment and ethical issues, many business companies aware on corporate social responsibility practice. Regarding to Dusuki (2008) CSR has emerged in the past three decade as a field of study and a framework for the role of business corporations and financial institutions in society. CSR is a driving force to business in order to implement their work gather with social and environment.

1.2 Problem Statement

Based on today Malaysia's Islamic bank continues to grow rapidly, which is supported by a conducive of environment. There are many Muslim customers select Islamic banks. However, there are many Muslim customers still using conventional bank.

This research is to study on CSR based on customers' perception rather than other stakeholders. This is because it investigates the relationship between customer service in Islamic bank and customer satisfaction. So that, customer is the major stakeholders for this study to focus on. Besides, it focuses on customers' religiosity and their perception in order to examine banks performance in term of customer service based on CSR.

This study is to examine the relationship between perceived corporate social responsibility based customer service in Islamic bank and satisfaction of Muslim customer and whether religiosity of Muslim customer influences it or not. Besides, it specialises on CSR in term of environmental dimension.

There are many studies have shown that religion is one factor which included in Islamic bank selection criteria. Unlike this study, it focuses on religiosity of Muslim customer as a moderator which might or might not influence to their level of satisfaction. Levels of religiosity of Muslim are different. There are many factors which influence to religiosity such as education, family background etc. According to Allport (1950) as cited in Rashid & Ibrahim (2008) viewed religiosity motivations in terms of intrinsic religiousness and extrinsic religiousness. The “extrinsically motivated person uses his religion, while intrinsically motivated person lives his religion”

Dusuki (2008) has cited that the most important fact of customer satisfaction often depend on the quality of customer services includes factors such as treating customers with courtesy and respect; staff ability to convey trust and confidence; efficiency and effectiveness in handling any transaction; knowledgeable and preparedness in providing solutions and answers concerning Islamic bank’s products and services. Moreover, in what way service industry like financial institution can sustain their customer. Indeed, corporate social responsibility has a major role in Islamic bank in order to contribute to social such as education, reducing child mortality and so on.

1.3 Research objective

- 1.** To identify the practice of corporate social responsibility by Islamic bank
- 2.** To identify corporate social responsibility based customer service in Islamic bank
- 3.** To examine satisfaction of Muslim customer in using customer service regarding the corporate social responsibility of Islamic bank.

4. To examine whether religiosity of Muslim customer influences their satisfaction in using customer service regarding corporate social responsibility.

1.4 Research questions

1. Do Islamic bank practise corporate social responsibility?
2. Whether customer service in Islamic bank is based on the corporate social responsibility?
3. Whether customer service regarding the corporate social responsibility of Islamic bank influences customer satisfaction?
4. Whether religiosity of Muslim customer influences their satisfaction in using Islamic bank customer service regarding corporate social responsibility?

1.5 Significance of study

This study is important since it will help to provide feedback to Islamic bank on how to improve the CSR practice. This is because the emergence of CSR now is a challenge to Islamic bank in Malaysia to plan and prepare to serve customer better in customer service regarding the social responsibility. For this reason Islamic bank need to strengthen their corporate social responsibility practice in order to fulfil customer need and bring them to satisfaction.

This paper will contribute the knowledge in the area of religiosity and level of satisfaction of Muslim customer. There are Muslim customers who are high and low religiosity. The study will explore whether religiosity influence satisfaction of Muslim customer in using Islamic bank customer service based the social responsibility.

Besides, understanding the social responsibility is also understanding customer need as well. This study will help and provide better understanding of CSR and customer satisfaction of Islamic bank in Malaysia. It is also hope that it might create awareness to customer in using Islamic bank.

1.6 Definition of the variables

Several key terms are used throughout this study and it is very important to define the meaning of each to enable better conceptualization.

1.6.1 Customer service

It is the delivery of the service which must be timely, accurate, with concern, and with courtesy. It's intangible and functions of perception. The attributes of customer service is comfort which involved caring, observant, mindful, friendly, obliging, responsible and tactful. Without these things there cannot be a true service. They all depend on staff's interpersonal skills, communication, empowerment, knowledge, sensitive, understanding and some kind of external behaviour (Voltaire, 2003).

1.6.2 Fast and efficient service

It is defined as service which delivery by firm or business company with fast, on time and less of error. It is also including speed of transactions and confidentiality.

1.6.3 Friendly personnel

It is defined as how employees or staffs being friendly to their customer. It can be said that making relation to customer in order to serve them better including treating customer well, polite, caring, and even smiling.

1.6.4 Knowledge and competent personnel

It is defined as the staff's knowledge of the Islamic banking products and service offered by the Islamic banks and the conventional banks that operate through the Islamic window. It is also including ability of staff in solving customer's problem as well.

1.6.5 Convenience

It is defined as good service which is useful and provide customer to be easier or quicker to do, or more comfortable. These are including location of the bank, facilities, parking space for example.

1.6.7 Environmental practise and impact

It is defined as how bank assesses and improves the impact of its actions on the environment in operation.

1.6.8 Religiosity

It is defined as the intrinsic religious orientation in which religion provides the individual with a meaning-endowing framework in terms of which life is understood. In other words, it is more on a spirituality of an individual.

1.6.9 Customer satisfaction

It is defined as customer's good feeling that occur when firm fulfils their expectation and need.

1.7 Organization of the thesis

Chapter 1 : This chapter being the introduction. It reviews the purpose of the study and the research objectives as a guide for the whole study. The significance of the study in addressed to readers with the purpose of conducting the study.

Chapter 2 : This chapter reviews past literatures which are related to the study currently undertaken.

Chapter 3 : This chapter illustrates the methodology used in the present study. It discusses the design, research hypotheses, variables, sample, procedure, measures, data collection and data analysis.

Chapter 4 : This chapter presents the results of the statistical analysis for the data collection as well as the findings encapsulated from the analysis.

Chapter 5 : Finally, this chapter provides discussions and implications of the present study findings. The limitations of the study and recommendations for the future study are also provided.

Chapter 2

LITERATURE REVIEW

2.1 Introduction

This chapter reviews the scholarly literature relevant to the study. It contains reviews of past and presents studies about the study of Islamic bank in Malaysia and its customer service also corporate social responsibility as well.

2.2 Islamic bank: overview

Islamic bank has shown tremendous growth over the last 30 years (Ahmad Mokhtar, Abdullah & Alhabshi,2008). It has emerged as one of the fastest growing industries also spread to all corners of the globe and received wide acceptance by both Muslims and non-Muslims alike (Iqbal & Molyneux, 2005 as cited in Dusuki & Abdullah, 2006) Islamic bank in Malaysia has been increasingly integrated in recent years. It performs and provides activities and facilities same as conventional banks system, except their transaction it has been followed by Islamic rules. According to According to Dr. Mahathir Mohamad in International conference on Islamic Economics, Banking and Finance 2009 (association of Islamic banking institutions Malaysia, 2009), “the current conventional banking system has been a failure and Islamic banking is a better alternative because it cannot be manipulated by rogues. The future of Islamic banking promises great potential because the world has become aware that the Islamic way provides a viable alternative for many economic and business activities. Islamic banking is different from the current banking system today because of the ethics and morality involved”

2.3 History of Islamic bank in Malaysia

In Malaysia, Islamic finance traces its root back to 1963, with the establishment of the Pilgrims Fund Board or Lembaga Tabung Haji (LTH). This was a savings mechanism under which, devout Malaysia Muslim set aside regular funds to cover the cost of performing the annual pilgrimage (Sufian, 2007). As a country with majority Muslim population, Malaysia has established Islamic bank. Ahmad Mokhtar, Abdullah & Alhabshi (2008) has cited that the central bank was instrumental in the development of the Islamic banking system in Malaysia.

In 1981, the government formed a National Steering Committee on the establishment of an Islamic bank. After two years of hard work, Bank Islam Malaysia Berhad was established in Malaysia. The legal basis for the setting-up of BIMB was permitted to carry out banking business as prescribe in Syariah (Islamic laws). Besides, Sufian, (2007) has mentioned the establishment of BIMB has marked a new milestone for the development of the Islamic financial system in Malaysia. The bank offers deposit taking products such as current and savings deposit under the concept of Al-wadiah Yad Dhamanah (guaranteed custody) and investment deposits under the concept of Al-Mudharabah (profit-sharing), the bank grants financing facilities such as working capital financing under Al-Murabanah (cost-plus), house financing under Bai’ Bithaman Ajil (deferred payment sale), leasing under Al-Ijarah (leasing) and project financing under Al-Musyarakah (profit and also loss sharing).

In 1993 is emerging of Islamic windows whereby the conventional banks were allowed to offer similar Islamic banking facilities as the full-fledged Islamic bank did. In 2004 onwards is financial liberalisation of Islamic banks. The distinctive feature of this phase is that the government had brought forward the financial liberalisation of

the Islamic bank from 2007 to 2004. What came out from the liberalisation was the instant emergence of three new foreign full-fledged Islamic banks, all them from the Middle East, in the Malaysian banking market. The strategy was to create more competition and to tap new growth opportunity as well as raise the performance of the Islamic banking industry as a whole (Ahmad Mokhtar, Abdullah & Alhabshi,2008).

2.4 Corporate social responsibility (CSR)

According to Davis & Blomstrom (1975) have view social responsibility is concerned with the public interest. Business for social responsibility practice is focusing on actions which protect and improve the welfare of society as a whole along with their own interests. Indeed, corporate social responsibility builds a better quality of life, thus harmonizing organizational actions with society wants. Besides, In Bursa securities' CSR Framework, Corporate social responsibility is defined as “open and transparent business practices that are based on ethical values and respect for the community, employees, the environment, shareholders and other stakeholders. It is designed to deliver sustainable value to society at large. Indeed, the corporate social responsibility is as concept which business companies integrated social and environmental concerns into their business operations and in their interaction with their stakeholders.

There are many CSR models now but the best-known is called CSR pyramid model. It presents company's social obligations as comprising economic, legal, ethical a philanthropic responsibility (Carroll, 1991 as cited in Mcdonald & Thiele, 2008). In addition, Owen & Scherer (1993) as quoted in Poolthong& Mandhachitara (2009) have suggested that the five most important items of CSR activities are environmental pollution, corporate philanthropy, disclosure of social information,

representation of women, and representation of minorities. There are differences between the accounts of the concept and definitions of CSR. However, Dusuki & Dar (2005) has viewed the central features of what is commonly called the doctrine of CSR that is the following are: 1. the environmental dimension, 2. The human resource dimension, 3. The philanthropic dimension, and 4. The human rights dimension.

From the CSR model of the study of Dusuki and Dar, this present study can be developed the CSR model as 1. The environmental dimension 2. The human resource dimension 3. The philanthropy dimension 4. The human right dimension 5. The customer service dimension. CSR is defined as open and transparent business practices that are based on ethical values and respect for the community, employee, customer, environment, and all other members of the public sphere. As customer is one of the stakeholders that business company should concern on, it also can be viewed as one of the CSR dimension as well. Customer service is defined as all the business company's deliberate actions to serve a customer satisfactorily to elicit their loyalty (Altorgoh, 2009). Service organization's role is fulfilling their need and brings them to satisfaction. According to Gantt (1919) has quoted in Hoffman (2007) has viewed that "business system has its foundation in service, as far as the community is concerned has no reason for existence except for the service it can render". From that, the customer service is a part of community. Business need to serve them with quality of service regarding social responsibility in order to satisfy customer and bring them to loyalty.

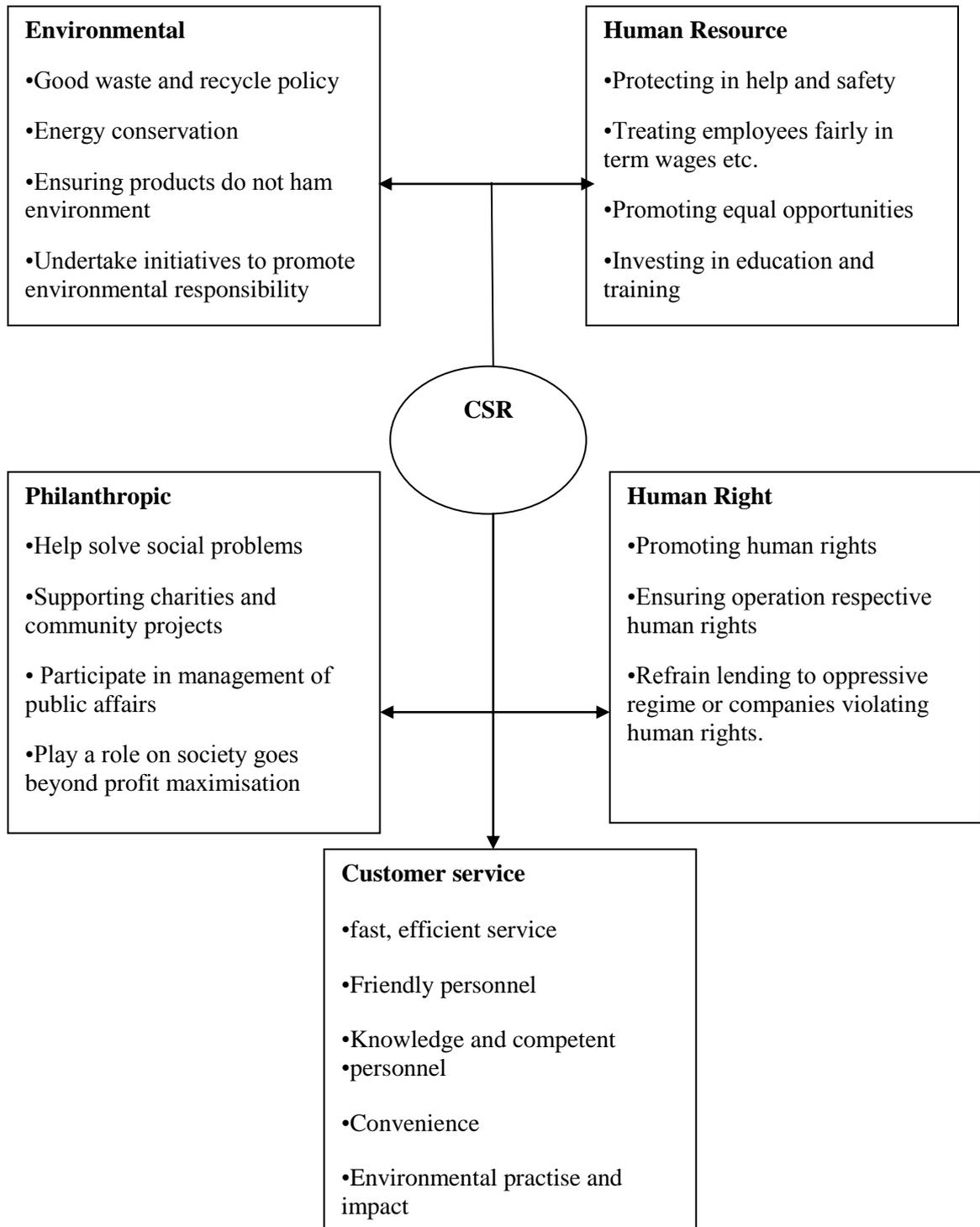


Figure 2.1: CSR Model

2.5 Corporate social responsibility and Shariah (Islamic Principles)

Shariah is defined as a code of law or divine injunction that regulate the conduct of human beings in their individual and collective lives (Ayub, 2008 as quoted in Hadir, 2009). The primary source of Shariah is the Holy Qur'an and Sunnah of the holy Prophet Muhammad S.A.W. Besides that Ijma'a (consensus) and Qiyas (analogy) are the other sources of Shariah law (Hadir, 2009).

According to Siwar and Hossain (2009) the fundamentals of Islam for example aqidah (belief and faith) ibadah (worship) and aklaq (morality and ethics) are not subject to change; their manifestation in secondary areas like economics, business and other worldly activities would require flexibility and development according to time and space.

The importance and special nature of worship (Ibadah) is a fundamental element of Islam for worship is the reason for the creation of mankind (Adam, 2006). There are five elements: firstly, it is the recognition that there is only one God and Muhammad is His prophet. Secondly, daily devotional acts of prayer. Thirdly, fasting on Ramadan month. Fourthly, the payment of Zakat (obligatory charity). Finally, the Hajji (pilgrimage) to Mecca (Adam, 2006) However, Ibadah (worship) is not confined to these since it also requires that Muslim serve Allah through good behaviour in all aspects of their daily life activity even in their work. Thus in Islam the concept of worship is wide and recognizes that mankind can rewarded by performing both ritual acts and daily works. The emphasis on individual choice and the balance between responsible behaviour and piety comes from recognizing that man has two missions to accomplish. There are mission that as servant of Allah and mission as vicegerent of Allah

Islam also concern on social equilibrium or balance. This is called *adl* (doing things in a proportionate manner and avoiding extremes). The meaning of it relates to the all-embracing harmony in the universe (Beekun and Badawi, 2005 as cited in Adam, 2006). It is enabling man to fulfil his responsibility to God and his responsibility to creation as God's steward on earth.

Corporate social responsibility (CSR) refers to the responsibility taken by organizations and the impact of their activities on stakeholders which are customers, employees, shareholders, communities and the environment in all aspects of their operations (Siwar and Hossain ,2009). It is important in order to improve the quality of life for employees and their families as well as to the local community at large. Indeed, the corporate social responsibility is as concept which business companies integrated social and environmental concerns into their business operations and in their interaction with their stakeholders. There are many CSR models now but the best-known is called CSR pyramid model. It presents company's social obligations as comprising economic, legal, ethical a philanthropic responsibility (Carroll, 1991 as cited in Mcdonald & Thiele, 2008).

The concept of CSR in Islamic encompasses a meaning embracing the *taqwa* (God consciousness) dimension by which a corporation as a group of individuals, these are including both responsibility as servants ad vicegerents in all situation. In addition, the relationship with God would be inspired by the values of truthfulness, fairness, kindness, uprightness rather than envy, backbiting and discrimination. This should naturally manifest in business activities and in the relationship with all stakeholders (Siwar and Hossain ,2009). Indeed, Islamic principles or Shariah and CSR are related. As Dusuki has recommended that the philosophy of Islamic business as enshrined by the Shariah requires Islamic bank to operate in morally,

ethically and socially responsible manner for example conforming to the Islamic norms of business and economic activities. The concept of CSR is directed towards making brotherhood, social equality and equitable distribution a reality in Muslim societies. Besides, the Quranic emphasis on the environment and the Earth is an indication of how critical the relationship is between humankind and the Earth and Universe in Islamic discourse. The need to care for the Earth and the environment, and a related need to spread virtue and good deeds, are repeatedly demanded in the Quran.

2.6 Customer service

In view of the increasing CSR activity by banks now, there are many questions raise that how bank may achieve competitive customer edge in this socially responsible era may lie with taking a more customer need. That is business organizations must be able to evaluate what customers want, their behaviour and impact on customer satisfaction of CSR also marketing initiatives which is improved customer service (Lafferty and Goldsmith, 2005; Lichtenstein et al., 2004; Sen , 2006 as cited in Mcdonald & Thiele, 2008)

According to Christopher (1985) has cited customer service has many dimensions and every business should understand that for each market segment in which they compete a specific service policy will need to be identified. In the study of customer service practices of LaLonde and Zinszer have defined customer service that is “all activities required to accept, process, delivery and bill customer orders and to follow up on any activities that erred” Apart from this, it is “timely and accurate delivery of products ordered by customer with accurate follow-up and inquiry

response including timely delivery of invoice” Miao & Bassham (2007) referred customer service is defined as an organization’s ability to consistently meet the needs and expectations of its customer. An organization must determine what the customers want and use this information of create satisfying products and services. Providing excellent customer service entails making every effort to satisfy the customers’ requests. Peel (2007) has defined that customer service is as customer care and seen as little more than smiling at and being friendly to customers.

Voltaire (2003) has defined customer service is the delivery of the service must be timely, accurate, with concern, and with courtesy. It’s intangible and functions of perception. The attributes of customer service is comfort which involved caring, observant, mindful, friendly, obliging, responsible and tactful. Without these attributes, there cannot be a true service of any kind. They all depend on interpersonal skills, communication, empowerment, knowledge, sensitive, understanding and some kind of external behaviour (Voltaire, 2003).

Many organizations now are more aware of environment and social issues due to the growing interest in ecological issues in Western society which has stimulated the adaption of a broader perspective in a range of economic field. Environmental issues and social development would be required if long-term economic development was not to be jeopardised (Brundtland,1987; Elkington,1997,2001 as cited in as cited in Enquist, Edvardsson & Sebhatu,2007). There are many advantages to consumer and business itself to adopt environment and social issues as a part of their strategy in doing business. In other words, corporate social responsibility is one of the best a way to implement in organizations. Besides, Enquist, (2006) as cite in Enquist, Edvardsson & Sebhatu,(2007) many commercial companies are now adopting the principle of

corporate social responsibility (CSR), which incorporates environmental and social perspectives in pursuit of sustainable development.

Corporate social responsibility based customer service very important in Islamic bank. This is because customer perceives that is banking selection criteria. Regarding to the study of Dusuki the attributes from similar studies together with the newly created attributes to CSR or based on social responsibility are: financial product price, customer fast and efficient service, convenience (e.g. available parking space, interior comfort), location being near home or work, friendly personnel, knowledgeable and competent personnel, Islamic working environment, economic and financial reputation, respect for human right, Islamic reputation and image, involvement in the community and environment practice and impact

This study focuses on corporate social responsibility based customer service and customer satisfaction based on the study of Dusuki & Dar (2005). They perceived Islamic selection criteria regarding CSR. However, this present study focus on corporate social responsibility based customer service. There are five factors which included fast, efficient service, friendly personnel, knowledge and competent personnel, convenience (such as available parking space), environmental practise and impact.

2.6.1 Fast and efficient service

The service which is delivery by firm or business company with fast, on time and less of error. It is also including speed of transactions and confidentiality.

Qin & Prybutok (2009) viewed that five dimension are unsheathed as the main attributes of service quality across a variety of services. These dimensions include tangibles, reliability, responsiveness, assurance, and empathy. However, Zaihaml &

Bitner (1996) as cited in Naser, Jamal, Al-Khatib (1999) has recommended that efficient services have some unique characteristics that make them different from physical products. Services are often characterised by their intangibility, inseparability, heterogeneity, and perishability. The implications of these characteristics are that it is often difficult for customers to evaluate services at pre-consumption, consumption, post-consumption stages of consumer decision making. Furthermore, because of the intangible nature of services, it also becomes difficult for an organization to understand how its customers

Customers view efficient service is that a service should correspond to customers' expectation and satisfy their needs and requirements such as on time. It is also necessary to understand non-verbalised customer needs, and this requires insight into individual circumstances and unstated needs of customers if service linked effective to solution to customers' problem (Edvardsson,1998 as cited in Enquist, Edvardsson & Sebhatu, 2007)

The previous study like Haron. (1994) as cited in Amin (2008) found that service which delivery with fast and efficient, speed of transactions and confidentiality of bank are important factors affecting bank selection. The result of this study point out that Islamic banks do not need to rely on the religious factors as a strategy in attracting customers. In this study, religiosity of Muslim customer is as moderator which influences them to their level of satisfaction.

2.6.2 Friendly personnel

Friendly personnel refers to how employees or staffs being friendly to their customer. It can be said that making relation to customer in order to serve them better. Most of the customer's first impression of a service organization comes during contact with frontline staff. So that, in Islamic bank frontline people must be empowered to work on behalf of the customer through knowledge, policy, also culture as well (Miao & Bassham,2006). In addition, Voltair (2003) has viewed friendly personnel that offering guidance and information, and let the customer know that staffs or employees are there to help them. Customer's satisfaction depends on how much staff can fulfil their need in servicing. Apart from this, provide feedback to assist the customer in making a decision is involved in being friendly to customer(Voltair, 2003). As staffs of Islamic bank, they may advise the customer about the products and facilities of the bank also answer any questions that the customer may have as well. Being friendly to customer can gain lots of advantages to the banking industry. In Islamic principle or Shariah has supported human being to be friendly this is because being friendly to all human is a kind of Sadaqah (charity). Even a smile or a kind word is considered charity (Mischler, 2003). In addition Arshad has cited that "this is related by Ibn Hibban in his Salih. Al-Bukhari related it in a shortened form and added in his report : your smile for your brother is sadaqah."

Previous researchers have done the studies about banking selection criteria. Being friendly is one of criteria which customer most concern in selecting Islamic bank. Dusuki & Abdullah (2007) has concluded that friendliness of bank personnel is one of criteria which most of customer patronize in choosing Islamic banking institution or service.

2.6.3 Knowledge and competent personnel

The staff's knowledge of the Islamic banking products and service offered by the Islamic banks and the conventional banks that operate through the Islamic window. It is also including ability of staff in solving customer's problem as well.

In Islamic bank staff's knowledge is very important in service part. According to Dusuki (2008) has suggested that customer satisfaction bases on staff ability to convey trust and confidence; efficiency and effectiveness in handling any transaction; knowledgeable and preparedness in providing solutions and answers concerning Islamic bank's products and services. The previous empirical studies found that customer highly regard knowledgeable and competent personnel coupled with friendly and courteous values to be the most important factors in selecting Islamic bank (Dusuki & Abdullah, 2007). This is because staff's knowledge and competent can convey trust and confidence onto their customers.

2.6.4 Convenience

It has been believed that what customer really want is easy. When the business makes it easy for customer to business, then business will have a customer for life. Even in tough economic crisis times most of customer still value convenience over price (Brown, 2009).

In banking institution, customers may expect to get convenience, fast, efficient in doing their transaction. Islamic bank has operated and provide products and facilities as convenience as conventional does. There are numbers of which composed of convenience like, availability of parking space, location of branches, long working hours, 24 hour availability of automated teller machines (ATMs) (Al-Ajmi, Abo Hussain & Al-Saleh, 2009). According to Almoosawi (2001) as cited in

Amin (2008) a study of bank in Bahrain found that reputation, parking space near bank, friendliness of bank personnel and the availability of automated tell machines are the four most important factors affecting bank customer's choosing.

2.6.5 Environmental practice and impact

Many of organizations now are aware on environment. There are lots of environmental issues now which influence business to be more concern on that. Environmental issues have been a major point all around the world now. This is because the impact of environmental problem such as global warming, air and water pollution, deforestation, solid waste. According to Bunaimin, Alrazi, Johari, & Rahman (2008) as cited in Hadir (2009) the previous studies has blamed that pollution from industrial activities, overexploitation of animals through hunting, trapping and fishing, conversion of forest land for agriculture.

There is a competitive advantage that business companies believe they can reap by being ethical and social responsible (Dusuki & Abullah, 2007). Various businesses are different strategies to overcome in competitive market. Most of business companies foresee that by communicating effectively to their social, environmental and economic contributions, they can strengthen their brand, image and enhance their corporate reputation with customers (Turban &Greening, 1997 as quoted in Dusuki & Abdullah, 2007).

According to Dusuki, 2008 has viewed that Islamic banks are prohibited from participating in economic activities which are unethical and prohibited by Islamic principle (Shariah) for example, business involving alcohol, environmental pollution, etc.

2.7 Customer satisfaction

.Providing products and services which match to customers' need is target of many business companies. Satisfaction leads business to gain more profit, and sustain their customer to be customer loyalty. Customers satisfaction or the full meeting of one's expectations has been a critical concept many marketing research. Besides, customer actively processes the perceived performance of the service and then compares the performance with some comparison standard. Level of satisfaction and customer service have been assumed to be directly and positively related to the level of disconfirmation (Liljander & Strandvik,1996). Customer satisfaction comes from expectation, need that already set in their mind. Organization play a role in fulfilling their requirement then, satisfaction will be occurring. While Bennet & Rundle –Thiele (2004) mentioned that satisfaction itself is an emotional construct its antecedents or drivers can be either emotional or cognitive, depending on the situation. In the other hand, Olorunniwo, Hsu, Udo (2006) cited that several studies seem to conclude that satisfaction is an affective construct rather than a cognitive construct. Satisfaction is as the customer's fulfilment response to a service. It is an indication of the customer's belief on the probability of a service leading to a positive feeling (Rust & Oliver,1994 as cited in Olorunniwo, Hsu, Udo,2006) A part from this, East (1997) as cited in Naser, Jamal, Al-Khatib (1999) has recommended that it is generally argued that if customers are satisfied with a particular product or service offering after its use, then they are likely to engage in a repeat purchase and try line extensions. Satisfied customers are also likely to tell others of their good experience with the products or services. It is as like words of mouth to spread to other people without company advertisement. Customer satisfaction, a great deal of attention has been paid to the confirmation paradigm which concerns the comparison of product or service

performance expectations and evaluations (Goode and Moutinho, 1995 as cited in Naser, Jamal, Al-Khatib 1999).

In Islamic bank, customer satisfaction is based on many factors. One of the factors is providing corporate social responsibility based customer service. Another factor is Islamic banks now are increasingly experiencing a growing competition. The consequence of increasing competition is that many financial institutions are now focusing on increasing customer satisfaction and customer loyalty through improved quality of customer service (Levesque & McDougall, 1996; Good., 1996 as cited in Naser, Jamal & Al-Khatib, 1999).

2.8 Religiosity

There are many Muslim customers emphasis on the role of faith and religious beliefs on ethical and social responsibility in Islamic bank. Islamic bank has been considered financial institution which fulfils the desire of Muslims to live all aspects of their live in accordance with teachings of Islam. Religiosity is a subjective issue and it is very difficult to measure as it is determined by the person's spirituality. Being a religiosity person does not mean that the person is very satisfy with the activities and facilities in the Islamic bank. In this study, the person's religiosity will be evaluated and see if there is an influence on the customer satisfaction towards engaging in Islamic bank customer service regarding social responsibility.

There are many studies that have shown religion is one factor which include in Islamic bank selection criteria. Like, the study of Naser, Jamal & Al- Khatib (1999) and Dusuki & Abdullah (2006). They conceptualize the religion as a factor in patronizing Islamic banks. Unlike this study, the religion will not be one of the factors in choosing Islamic banking facilities or product but it view as a moderator.