Service Quality and Customer Satisfaction:
A Case of Islamic Banks in Bahrain

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Abstract: The quality of service plays a vital role in any service related economic sector including the banking services industry. In service providing companies, improving service quality is now regarded as the most significant act in attaining a competitive edge in the market. Bahraini Islamic banking services quality is the focus of this study. Hence the objective of this study is to investigate the correlation between service quality and customer satisfaction. A structured questionnaire was employed to collect data from 237 customers of six retail Islamic banks in Bahrain. The current study is likely to recognize the accomplishment of customer satisfaction through the measurement of service quality and to prouide recommendations in developing an effective Islamic banking service quality. The outcomes of the present study, apart from bridging the gap in the literature, also provide practitioners with ingenious ideas for improving service quality with the intention of accomplishing a competitive advantage in the Islamic retail banking sector in Bahrain.

Keywords: Service Quality, Customer Satisfaction, Islamic Banking, Bahrain.

1. INTRODUCTION

The banking services environment around the world was considerably altered by technological, regulatory and structural factors in the final two decades of the twentieth century (Angur et al., 1999). In an environment which tends to be (or is becoming) progressively competitive, service quality, as a vital measure of company's performance, keeps on compelling the consideration of banking organizations and it stays in the limelight of service marketing writings (Yavas & Yasin, 2001; Lasser et al., 2000). It was observed by many researchers (Danaher, 1997; Magi & Julander, 1996; Levesque & McDongall, 1996) that the importance given to service quality is mainly due to demand for greater service quality which eventually leads to higher customer satisfaction and loyalty, higher readiness to recommend a bank, decreases in objections and complaints, and enhanced retention rate of customers. In the background of banking services, Almossawi (2001) mentioned that service quality is primarily important as it offers a greater level of customer satisfaction and therefore it turns out to be a vital competitive advantage.

The most outstanding economic and financial marvel of the twentieth century is the development of an alternative banking system, the Islamic banking system, in the Muslim world (Daud et al., 2011). Islamic banking can be termed as banking activities that are in line with the principles of *Shariah* (Islamic Law) and are led by Islamic economic theories and practices (Nasib, 2008). Rapid growth has been witnessed by the Islamic banking and finance industry in the global financial markets with an annual growth rate of about 15% (Chong & Liu, 2009). Assets of Islamic financial institutions have grown by an average of 19% per annum over the past four years to reach over \$1.3trillion in 2011 (Ernst & Young-The World Islamic Banking Competitiveness Report 2012–13: 4), suggesting healthy demand for *Shariah*-compliant products. Globally, Islamic banking assets are expected to grow to \$3.4trillion by 2018 (Ernst & Young-The World Islamic Banking Competitiveness Report 2013–14: 42).

This attracted the attention of bankers, and henceforth Islamic banks are encountering cut-throat rivalry not only from conventional banks but also from existing and new Islamic banks entering into the industry. Owing to rapid globalization, the competition between conventional and Islamic banks is most likely to increase in the future. The global market, as a result of liberalization, is quickly congregating into a single marketplace. It is essential for the Islamic banks to enhance the service quality and offer innovative products with the intention of taking benefit of the openings created by the dynamics of globalization. Therefore, an Islamic bank must develop a marketing strategy to achieve competitive advantage and create a solid competitive position based on the quality of service.

One of the international hubs for Islamic banking and finance is the Kingdom of Bahrain. Bahrain is a small island country located close to the western coast of the Persian Gulf. Alongside the oil and gas industry, the financial services industry is amongst the chief participators to the total GDP of the country.

Bahrain has a long history in the Islamic financial industry. The first Islamic commercial bank in the Kingdom, Bahrain Islamic Bank (BIB), was established in 1979. As stated by Wilson (2009), Bahrain is remarkably regarded as a highly advanced country in respect to their Islamic financial system within the Gulf Cooperation Council (GCC). Bahrain's *Shariah*-compliant financial sector is internationally one of the earliest and most well established.

According to Khan and Bhatti (2008), Bahrain has thirty-three (33) Islamic Banks, twenty-six (26) Takaful and six (6) re-Takaful firms operating at national and international levels. Bahrain is a leader in the Islamic Banking industry in the GCC region. It has developed as a natural and suitable place in the Middle East region as Islamic Financial hub. The Islamic banking system, especially in Bahrain and GCC region in general, is noticing the admittance of new players and strategic alliances among the current players. Thus, the banking sector has remained a key factor in the economy of Bahrain.

Given the main importance of service quality and its correlation to customer satisfaction and the strategic position of Bahrain as one of the Islamic banking hubs in the world, this study aims to empirically examine the correlation between service quality dimensions and customer satisfaction in Islamic Banks of Bahrain. This study is expected to add value to both marketing and Islamic banking literature by providing another empirical proof on the correlation between service quality and customer satisfaction in Islamic banking. The results of the study can be used as inputs for Islamic banks' management to improve their service quality in order to enhance the level of their customer satisfaction.

2. LITERATURE REVIEW

An organization's competitiveness is impacted or measured by service quality which is one of the vital elements of accomplishment. Therefore, by delivering great service quality, a bank can distingmish itself from rival banks. Over the past decade, in the retail banking sector, service quality has remained one of the greatest enticing areas of research (Avkiran, 1994; Stafford, 1996; Johnston, 1997; Angur et al., 1999; Lasser et al., 2000; Bahia & Nantel, 2000; Sureshchandar et al., 2002; Gounaris et al., 2003; Choudhury, 2008). It was cited by Kumar et al. (2009) that superior service quality would increase customer satisfaction and loyalty. It was established by Parasuraman et al. (1988) and Naeem, Akram and Saif (2009) that customer satisfaction is positively correlated with service quality.

2.1 *Service Quality*

Service quality was defined by Parasuraman et al. (1985) as an outcome of the contrast that customers make between their expectations regarding a service and their opinion of the way the service has been accomplished. Service quality, owing to liberalization and internationalization of the global economy, has evolved into a significantly distinct way and an avenue to accomplish business success in the service industry. Such distinction that focused around service quality could be a vital base of attractiveness for numerous service providers and, therefore, have implications for quality management in organizations. Service quality is a central issue in services marketing (Clottey et al., 2011). At the

present time, in a brutally competitive setting, the greatest fundamental element in a maintainable competitive edge is to offer the greatest possible service quality, that would bring about enhanced customer satisfaction, retention, and profitability (Khan, 2003; Carlson & O'Cass, 2011).

At present, in the present competitive setting, the greatest fundamental element in a maintaining previous peeses competitive edge is to offer the highest probable service quality, that would bring about enhanced customer satisfaction, retention, and profitability (Khan, 2003; Carlson & O'Cass, 2011). It was stated by Angur et al. (1999) that for the period of the last twenty years or more, governing, organizational and technical elements have considerably altered the banking setting universally. Lasser et al. (2000) pointed out that in a competitive environment that is becoming be progressively cutthroat, the quality of service, a crucial measure of organizational accomplishment, forces is becoming the consideration of banks management. The attraction is driver by the understanding that great quality of service leads to the satisfaction and loyalty of the customers, greater readiness to propose to other people, the decline in grievances and enhanced retaining rates of customers (Levesque & McDougall, 1996).

2.1.1 *Service Quality Dimensions*

Numerous studies have been carried out, and innumerable models have been developed to look at various dimensions of service quality viz. availability, guarantee, communication, expertise, standard, behaviour, flaw, duration, engagement, humanity, effects, reliability, responsibility, safety, etc. Cronin and Taylor (1992) suggested the ─SERVPERF scale. Service quality, in the SERVPERF scale, is functionalized with performance only scores established on the identical 22 items and 5-dimensional structure of SERVQUAL. Cronin and Taylor (1992), in addition to academic arguments, gave empirical proof in four industries (specifically banks, pest control, dry cleaning, and fast food) to validate the supremacy of performance-only tool as compared to disconfirmation based SERVQUAL model.

Perceived service quality was therefore measured using the 22 items representing the five SERVPERF dimensions as follows:

1. **Tangibles:** measured using four items
2. **Reliability:** measured using five items
3. **Responsiveness:** measured using four items
4. **Assurance:** measured using four items
5. **Empathy:** measured using five items

2.2 *Customer Satisfaction*

According to Oliver (1980), customer satisfaction can be defined as a post-purchase response that occurs as the result of comparing pre-purchase expectations and perceived performance (disconfirmation). In the present day business outlook, business ought to be centred on the customers and the execution of core foundations of unceasing advancement, vindicates the significance of assessing and analysing customer satisfaction. In essence, for several businesses, customer satisfaction is considered as the guideline to homogenize and superiority of performance. It is also helpful to recognise the prospective openings in the market (Grigoroudis & Siskos, 2010). It has been shown that an increase in customer satisfaction directly affects the market share of the company, which will lead to better profitability, productive recommendations, and reduced marketing costs (Reichheld, 1996; Heskett et al., 1997). It also significantly influences the position of the organization and its very existence (Pizam & Ellis, 1999).

Customer satisfaction is vital for service firms, particularly banks, because it is an excellent yardstick for assessing services that is built on customer's personal conclusion of service (Cronin & Taylor, 1992; Dabholkar, Shepherd, & Thorpe, 2000; Parasuraman et al., 1994). Customer satisfaction has been recognized as an important aspect to ascertain why clients quit or continue business with a bank. As rivalry in the financial services industry is higher than at any time in the past, and while

services offered by banks are getting progressively paramount, it is important to comprehend the satisfaction of bank customers (Rose & Marquis, 2006). It was claimed by Bennett (1992), that to gain the competitive advantage in the banking sector, it is fundamental to be customer driven. In other words, the complete facets of the organisation should focus on the elements that the customers cherish, and it should be ready to surpass customer expectations.

2.3 *Relationship between Service Quality and Customer Satisfaction*

A positive relationship has been stated by several empirical studies between service quality and customer satisfaction (Andaleeb & Conway, 2006). Numerous researchers have established that service quality has an affirmative positive correlation with customer satisfaction, enhances customer loyalty and better market share (Kadir et al., 2011; Sulieman, 2011; Cameran et al., 2010; Yee et al., 2010; Hu et al., 2009; Kumar et al., 2009; Mohamad & Awang, 2009; Gilbert & Veloutsou, 2006; Gilbert et al., 2004; Zeithaml, 2000; Bitner, 1990; Parasuraman et al., 1985). Hence, it can be suggested that service quality is an antecedent of customer satisfaction and has an affirmative influence on customer satisfaction.

3. RESEARCH METHOD

3.1 *Research Hypothesis*

Based on the review of the literature and keeping in mind the objectives of the study, the following hypotheses were considered for the study:

1) Ha1: Tangibles have a positively significant correlation with customer satisfaction.
2) Ha2: Reliability has a positively significant correlation with customer satisfaction.
3) Ha3: Responsiveness has a positively significant correlation with customer satisfaction.
4) Ha4: Assurance has a positively significant correlation with customer satisfaction.
5) Ha5: Empathy has a positively significant correlation with customer satisfaction.

3.2 *Research Instrument*

The survey questionnaire for the current study was designed based on the SERVPERF items, adopted from Cronin and Taylor (1992). The present research adopted twenty-two (22) performance-only (SERVPERF) items and slightly, changed the wording to fit the current research as suggested by Parasuraman et al. (1988). Additionally, to measure customer satisfaction, the eight (8) items scale established by Fornell et al. (1996) was used. Respondents were asked to indicate the levels of their agreement with the criteria items on a scale of '1' strongly disagree to '7' strongly agree. The first section of the questionnaire focuses on the demographic profile of the respondents: gender, marital status, age, academic qualification, and nationality.

Altogether, 350 questionnaires were distributed to walk in customers of 6 different retail Islamic Banks in Manama region, and 237 valid questionnaires were received. Weighted mean and Pearson correlation analysis were employses to examiue the correlation between service quality and customer satisfaction.

4. RESULTS AND DISCUSSION

4.1 *Demographic Profile of the Respondents and the Validity of the Survey*

Results from the descriptive statistics indicate that the majority (75.1 %) of the respondents were males and married (64.1%). A higher percentage of respondents (48.5%) fall in the age bracket of 26 to 35 year. Also, classification of the respondents regarding their current education i.e. secondary school & lower, diploma, university graduate and postgraduate is 9.3%, 16.0%, 51.5% and 23.2% respectively. Lastly, the majority (76.8%) of the respondents were locals whereas internationals were only 23.2%. The demographic profile of the respondents is presented in Table 1.

Table 1. Demographic Profile of Respondents

Demographics	Category	No. of respondents in category	% Percentage
Gender	Male	178	75.1
	Female	59	24.9
Marital Status	Single	80	33.8
	Married	152	64.1
	Divorced	5	2.1
(Age (years	25 – 16	48	20.3
	35 – 26	115	48.5
	45 – 36	51	21.5
	55 – 46	19	8.0
	65 – 55	4	1.7
Education	Secondary School & Lower	22	9.3
	Diploma Level	38	16.0
	University Graduate	122	51.5
	Postgraduate	55	23.2
Nationality	Bahraini	182	76.8
	Non-Bahraini	55	23.2

First, with the purpose of measuring the psychometric properties of the research instrument, the Cronbach's alpha reliability coefficient was determined. Sekaran (2003) advocated this exercise to make certain the stability of the consistency of the questionnaire. Althongh, a well-established instrument was used, this process was believed to be essential to see the consistency of the instrument in the settings of the current research. Cronbach's alpha value ranges from 0 to 1, with the value closer to 1 representing greater stability and consistency, however for basic research the cut-off value is 0.70 (Nunnally & Bernstein, 1994). The outcomes of Cronbach's alpha are depicted in Table 2, demonstrating a satisfactory consistency and stability of the instrument.

Table 2. Reliability Statistics of the Questionnaire

Variables	No. of Items	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items
Service Quality	22	0.961	0.961
Customer Satisfaction	8	0.933	0.934

4.2 S*urvey Results and Discussion*

The discussion of the survey results is divided based on five (5) dimensions of service quality namely tangibles, reliability, responsiveness, assurance, and empathy. For the first dimension, Tangibles, the respondents are in the opinion that Tangibles are positively significantly correlated with customer satisfactions. The results of Pearson correlation analysis reveal that the 4 aspects in Tangibles dimension have a positive correlation with customer satisfaction and they are statistically significant at $\alpha = 0.01$. Among the aspects of Tangibles, it is found that "the bank has modern looking and up-to-date equipment" to be the most correlated aspect of Tangibles to customer satisfaction. The two are positively correlated at 0.590[1]. It is followed by "the bank employees are well dressed and appear neat" at 0.522, "the bank's physical facilities are visually appealing" at 0.504 and "materials associated with the service (pamphlets or bank statement) are visually appealing at the bank" at 0.482.

The correlation analysis results confirm the findings of the previous studies and accept Ha1 (Tangibles have a positively significant correlation with customer satisfaction). Table 3 and Table 4 below present the summary of respondents' responses to the statements in the questionnaire for Tangibles dimension of service quality and the results of Pearson correlation analysis.

Table 3. Summary of Respondents' Responses to the Statements in the Questionnaire
for Tangibles Dimension (N = 237)

Aspect	Statement	Weighted Mean
T1	The bank has modern looking and up-to-date equipment.	5.31
T2	The bank's physical facilities are visually appealing.	5.26
T3	The bank employees are well dressed and appear neat.	5.46
T4	Materials associated with the service (pamphlets or bank statement) are visually appealing at the bank.	5.20
CS	**Overall I am satisfied with the quality of service of the bank.**	**5.30**

Table 4. Results of Pearson Correlation Tangibles Dimension and Customer Satisfaction (N = 237)

	Analysis between	Overall I am satisfied with the quality of service of the bank.
The bank has modern looking and up-to-date equipment.	Pearson Correlation	.590**
	Sig. (2-tailed)	.000
The bank's physical facilities are visually appealing.	Pearson Correlation	.504**
	Sig. (2-tailed)	.000
The bank employees are well dressed and appear neat.	Pearson Correlation	.522**
	Sig. (2-tailed)	.000
Materials associated with the service (pamphlets or bank statement) are visually appealing at the bank.	Pearson Correlation	.482**
	Sig. (2-tailed)	.000

**. Correlation is significant at the 0.01 level.

The results of Pearson correlation analysis present a positively significant correlation between all aspects of reliability dimension of service quality and customer satisfaction at $\alpha = 0.01$. Among the

1 *As closer the correlation result to 1 as more positively correlated the two variables.*

five (5) aspects of reliability dimension, the most correlated aspect to customer satisfaction is "when you have a problem, the bank shows sincere interest in solving it" (0.666). It is followed by "the bank performs service right the first time (0.569), "the bank provides its services at the time it promises to do so" (0.540), "when the bank promises to do something by a certain time, it does so" (0.532) and "the bank maintains error free records" (0.470).

The correlation analysis results confirm the findings of the previous studies and accept Ha2 (Reliability has a positively significant correlation with customer satisfaction). Table 5 and Table 6 present the summary of respondents' responses to the statements in the questionnaire for Reliability dimension of service quality and the results of Pearson correlation analysis.

Table 5. Summary of Respondents' Responses to the Statements in the Questionnaire
for Reliability Dimension (N = 237)

Aspect	Statement	Weighted Mean
Rel5	When the bank promises to do something by a certain time, it does so.	4.92
Rel6	When you have a problem, the bank shows sincere interest in solving it.	5.13
Rel7	The bank performs service right the first time.	4.99
Rel8	The bank provides its services at the time it promises to do so?	4.84
Rel9	The bank maintains error free records.	4.77
CS	**Overall I am satisfied with the quality of service of the bank.**	**5.30**

Table 6. Results of Pearson Correlation Analysis between Reliability
Dimension and Customer Satisfaction (N = 237)

		Overall I am satisfied with the quality of service of the bank.
When the bank promises to do something by a certain time, it does so.	Pearson Correlation	.532**
	Sig. (2-tailed)	.000
When you have a problem, the bank shows sincere interest in solving it.	Pearson Correlation	.666**
	Sig. (2-tailed)	.000
The bank performs service right the first time.	Pearson Correlation	.569**
	Sig. (2-tailed)	.000
The bank provides its services at the time it promises to do so.	Pearson Correlation	.540**
	Sig. (2-tailed)	.000
The bank maintains error free records.	Pearson Correlation	.470**
	Sig. (2-tailed)	.000

**. Correlation is significant at the 0.01 level.

The results of Pearson correlation analysis shows a positively significant correlation between all aspects of responsiveness dimension of service quality and customer satisfaction at $\alpha = 0.01$. Among the 4 aspects of responsiveness dimension, the most correlated aspect to customer satisfaction is "employees in the bank are always willing to help you" (0.599). It is followed by "employees in the bank tell you exactly when the services will be performed" (0.583), "employees in the bank give you a prompt service" (0.541) and "employees in the bank are never too busy to respond to your request" (0.530).

The correlation analysis results confirm the findings of the previous studies and accept Ha3 (Responsiveness has a positively significant correlation with customer satisfaction). Table 7 and Table 8 below present the summary of respondents' responses to the statements in the questionnaire for Responsiveness dimension of service quality and the results of Pearson correlation analysis.

Table 7. Summary of Respondents' Responses to the Statements in the Questionnaire for Responsiveness Dimension (N = 237)

Aspect	Statement	Weighted Mean
Res10	Employees in the bank tell you exactly when the services will be performed.	4.94
Res11	Employees in the bank give you a prompt service.	5.08
Res12	Employees in the bank are always willing to help you.	5.27
Res13	Employees in the bank are never too busy to respond to your request.	4.93
CS	**Overall I am satisfied with the quality of service of the bank.**	**5.30**

Table 8. Results of Pearson Correlation Analysis between Responsiveness Dimension and Customer Satisfaction (N = 237)

		Overall I am satisfied with the quality of service of the bank.
Employees in the bank tell you exactly when the services will be performed.	Pearson Correlation	.583**
	Sig. (2-tailed)	.000
Employees in the bank give you a prompt service.	Pearson Correlation	.541**
	Sig. (2-tailed)	.000
Employees in the bank are always willing to help you.	Pearson Correlation	.599**
	Sig. (2-tailed)	.000
Employees in the bank are never too busy to respond to your request.	Pearson Correlation	.530**
	Sig. (2-tailed)	.000

**. Correlation is significant at the 0.01 level.

The results of Pearson correlation analysis reveal that the four (4) aspects in Assurance dimension have a positive correlation with customer satisfaction and the correlation is statistically significant at α = 0.01. Among the aspects of Assurance, it is found that "the behaviour of employees in the banks instils confidence in you" to be the most correlated to customer satisfaction (0.644). It is followed by "employees in the banks are consistently courteous with you" (0.603), "you feel safe in your transactions with the bank" (0.601) and "employees in the bank have knowledge to answer your questions" (0.593).

The correlation analysis results confirm the findings of the previous studies and accept Ha4 (Assurance has a positively significant correlation with customer satisfaction). Table 9 and Table 10 below present the summary of respondents' responses to the statements in the questionnaire for Assurance dimension of service quality and the results of Pearson correlation analysis.

Table 9. Summary of Respondents' Responses to the Statements in the Questionnaire
for Assurance Dimension (N = 237)

Aspect	Statement	Weighted Mean
A14	The behavior of employees in the bank instills confidence in you.	5.14
A15	You feel safe in your transactions with the bank.	5.58
A16	Employees in the bank are consistently courteous with you.	5.32
A17	Employees in the bank have knowledge to answer your questions.	5.22
CS	**Overall I am satisfied with the quality of service of the bank.**	**5.30**

Table 10. Results of Pearson Correlation Analysis between Assurance
Dimension and Customer Satisfaction (N = 237)

		Overall I am satisfied with the quality of service of the bank.
The behavior of employees in the bank instils confidence in you.	Pearson Correlation	.644**
	Sig. (2-tailed)	.000
You feel safe in your transactions with the bank.	Pearson Correlation	.601**
	Sig. (2-tailed)	.000
Employees in the bank are consistently courteous with you.	Pearson Correlation	.603**
	Sig. (2-tailed)	.000
Employees in the bank have knowledge to answer your questions.	Pearson Correlation	.593**
	Sig. (2-tailed)	.000

**. Correlation is significant at the 0.01 level.

The results of Pearson correlation analysis indicates a positively significant correlation between all aspects of empathy dimension of service quality and customer satisfaction at α = 0.01. Among the 5 aspects of empathy dimension, the most correlated aspect to customer satisfaction is "the bank has your best interest at heart" (0.682). It is followed by "the bank gives you individual attention" (0.666), "the employees of the bank understand your specific needs" (0.581), "the bank has operating hours convenient to all its customers" (0.578) and "the bank has employees who give you personal attention" (0.492).

The correlation analysis results confirm the findings of the previous studies and accept that Ha5 (Empathy has a positively significant correlation with customer satisfaction). Table 11 and Table 12 present the summary of respondents' responses to the statements in the questionnaire for Empathy dimension of service quality and the results of Pearson correlation analysis.

Table 11 . Summary of Respondents' Responses to the Statements in the Questionnaire
for Empathy Dimension (N = 237)

Aspect	Statement	Weighted Mean
E18	The bank gives you individual attention.	5.58
E19	The bank has operating hours convenient to all its customers.	5.32
E20	The bank has employees who give you personal attention	5.22
E21	The employees of the bank understand your specific needs.	5.13
E22	The bank has your best interest at heart.	4.86
CS	**Overall I am satisfied with the quality of service of the bank.**	**5.30**

Table 12. Results of Pearson Correlation Analysis between Empathy
Dimension and Customer Satisfaction (N = 237)

		Overall I am satisfied with the quality of service of the bank.
.The bank gives you individual attention	Pearson Correlation	.666**
	(Sig. (2-tailed	.000
The bank has operating ours convenient to all its customers.	Pearson Correlation	.578**
	(Sig. (2-tailed	.000
The bank has employees who give you personal attention	Pearson Correlation	.492**
	(Sig. (2-tailed	.000
The employees of the bank understand your specific needs.	Pearson Correlation	.581**
	(Sig. (2-tailed	.000
.The bank has your best interest at heart	Pearson Correlation	.682**
	(Sig. (2-tailed	.000

**. Correlation is significant at the 0.01 level .

5. CONCLUSION

Given the importance of service quality in enhancing customer satisfaction, this study conducted an empirical study that analyzed the correlation between service quality and customer satisfaction in Islamic banks in the Kingdom of Bahrain using five-dimensional structure of SERVPERF to define service quality. The survey results reveal that overall, the customers of Islamic banks in Bahrain are moderately satisfied with the overall service quality of their banks as shown by the score of the weighted mean for customer satisfaction that stood at 5.30. Similarly, the respondents in the survey are also moderately satisfied with overall service quality of their banks as shown by the weighted mean scores of each statement which stood mostly at the range of 4.77 to 5 which is interpreted as moderately satisfied.

For correlation analysis, it is found that all the five-dimensions of service quality are positively significantly correlated with customer satisfaction. Therefore, this study confirms the argument that

better service quality leads to higher level of customer satisfaction. The results of this study are in line with the results of the previous studies in the same area (Kadir et al., 2011; Sulieman, 2011; Cameran et al., 2010; Yee et al., 2010; Hu et al., 2009; Kumar et al., 2009; Mohamad & Awang, 2009; Gilbert & Veloutsou, 2006; Gilbert et al., 2004; Zeithaml, 2000; Bitner, 1990; Parasuraman et al., 1985).

Based on the results, this study comes out with several recommendations. Management of Islamic banks in Bahrain must improve their overall service quality since, in general, the customers are still moderately satisfied with their existing service quality. Continuous training and workshops must be given to the Islamic banks' employees on the importance of service quality and how to improve it based on the 5 dimensional structure of SERVPERF. Regular surveys on the level customer satisfaction towards service quality of the banks should be conducted to show whether improvement has been made or not in term of service quality. Finally, like other studies, this study also has some limitations. This study only examined the correlation between service quality and customer satisfaction in Islamic banks in Bahrain. Even though the findings of this study support the findings of previous empirical studies conducted in other countries obviously, the results cannot be made as a universal conclusion on the correlation between service quality and customer satisfaction across industries. In addition, this study only used five-dimensional structure of SERVPERF to define service quality. Further studies might do similar empirical studies using other service quality dimensions.

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