Customer Satisfaction and Loyalty in Pakistani Islamic Banks: A PAKSERVE Investigation

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Abstract

The objective of this research is to explore the relationship between customer satisfaction and service quality with moderators like perceived risk, switching cost, knowledge and expertise in Islamic banks of Asian countries by using the PAKSERVE scale. A survey questionnaire was developed and data was collected through this questionnaire by personal visits to the customers. The five points Likert scale used to assess the construct of the present study. The respondents were from cities of Pakistan. SPSS structure equation model and factor analysis was used to validate the relationship among variables. It has been observed that satisfaction of the customers strongly predicts the loyalty of the customers in Islamic banking industry of Pakistan. It is therefore recommended that customers should primarily focus upon personalization and sincerity dimensions, as these two dimensions show the higher co-efficiency value among all. This study also shows that customers of Pakistani Islamic banks focus on attaining a sincere and highly personalized behavior from the staff of the banks. These results also acknowledge the role of national culture in delineating the service quality conduct. The SERVEQUAL dimensions of tangibility, assurance and reliability have very low co efficient values as compared with three new dimensions of PAKSERVE. On the basis of above discussion, we can conclude that customer satisfaction and loyalty is purely a cultural phenomenon.

Keywords: Perceived Risk, Switching Cost, Knowledge and Expertise, PAKSERVE Scale, SERVEQUAL Scale, Tangibility, Assurance and Reliability

Introduction:

Islamic banking system is explained according to the philosophy of Quran and Sunnah. Moreover it describes the regulations for high-quality governance and risk management principles. Islamic banking pursues the interest free operations and also it emphasizes upon the ethical dealings. It dynamically contributes in achieving the objectives of an Islamic economy. It follows the rules laid by the Shariah and avoids all operations which included interest. Islamic Shariah not allow 'interest' but it does not restrict all advantages on capital. It only restricts the increased amount on the principal which is more than the amount which is borrowed. Islamic standards state that performance and working of capital need to be measured whilst giving praise to the capital. The base of Islamic banking machine is upon threat-sharing, retaining and usage of tangible goods, participation in buying and selling, finance leasing and production contracts the usage of numerous Islamic approaches of finance. Banks under Islamic system are addressing asset management for the objective of earnings generation. They with full care handle the dangers found in management of property by way of following satisfactory corporate governance performances. When banking industry follows strong implementation of Halal returns, investors are receiving unwavering along with Halal revenues.

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Due to change in culture there are some opportunities and challenges for service marketers. Customers are different among Asian and Western countries on the basis of religion and culture. The service providers try their best to satisfy their customers in order to achieve the customer loyalty. Customer loyalty service is very beneficial to service organization and brings certain advantages such as; reduce costs to offer competitively priced products, higher market shares, and to boost up employee morale[1]. On the other hand, customer loyalty in service sector and specially is banks is more challenging as most of the time the loyal customers move to the other banks due to some moderators like perceived risk, switching cost, knowledge and expertise[2].

Islamic banks in Pakistan are well aware of the fact that customer retention is strongly associated with production of greater value as compared to their competitors[3]. Islamic banks may earn higher profits if they positioned themselves in a way that they compete their rivals in a specific market[4]. So it is very important for the banks to highly concentrate their quality of service as primary competitive strategy to compete over their competitors[5]. Furthermore, customer satisfaction, customer loyalty and service quality are of major phenomenon in the whole world[6].

Islamic banks have been considered competing business organizations in financial service sector in Pakistan[7]. The cultural diverse customers, high competition, knowledge expertise make it very hard to satisfy customers in Islamic banking system[8]. Recently, it has been found that Islamic banks in Pakistan are struggling hard in terms of ROA and some of other growth variables, while in competition with conventional banks. The Pakistani Islamic banks still fail to deliver service quality as per the expectations of the customers[9]. In order to solve this particular problem, further research is required by the Islamic banks to offer strategies in order to guide the marketers of Islamic banks. Given these challenges regarding growth faced by the Pakistani Islamic banking sector,

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this study will be beneficial and offer some very useful strategies to Islamic banks marketing executives to attract and retain customers. Subjective norm is the core factor of theory of reasoned action (TRA) and measure the cultural aspects. Thus, it is believed that to extend SERVQUAL model with subjective norm would be significant and provide a platform to discuss the service quality issues in Islamic banks of Pakistan

Most of the previous studies in customer satisfaction and service quality take consumer goods industry in Pakistan, a primary level contribution of this study is that its provides better understanding of customer satisfaction and service quality in Islamic banking industry in Pakistan. This study adds to the contemporary knowledge by giving a substantive understanding of the dimensions of customer satisfaction and service quality in Pakistani Islamic banking industry and how service quality related variables can be distinguished from customer satisfaction and how management can combine them based on the priority endorsed by the customers. Further, according to Hofstede, Pakistan and Malaysia are different in terms of power distance, individualism, uncertainty avoidance and long term orientation, therefore, a separate research is needed to highlight the current preferences of Pakistani customers of Islamic Banks.

The research has the following objectives:
1. To investigation the extent of service quality offered by Pakistani Islamic banks through a PAKSERV scale.
2. To establish a Satisfaction-loyalty path, and to validate PAKSERV model fitness in the Pakistani context.
3. To investigate the relationship between customer satisfaction and loyalty by using three moderators, perceived switching cost, Perceived risk, and Knowledge and expertise.
4. To assess the level of loyalty and satisfaction in Pakistani Islamic banks services.

Literature Review:
Relationship between Customer Satisfaction & Loyalty:
The relationship between service quality and customer satisfaction has received considerable academic attention in the post few years. Studies evaluated alternative measurement approaches to examine the relationship between perceived quality of performance, customer satisfaction and loyalty. The authors define and measure the constructs within a relative attitudinal frame work and compare these results to a non-comparative or individual evaluation of products. The result showed that service quality is positively associated with customer loyalty and that the relationship between the two is stronger at the company level rather than at the interpersonal level.

Moderation between Customer Satisfaction and Customer Loyalty Relationship
Switching Cost:
An analysis revealed that switching cost is a significant antecedent of both attitudinal and behavioural loyalty. The moderating effect of switching cost is stronger in the relationship between satisfaction and behavioral loyalty. Therefore, this study emphasizes the relevance of the switching cost constructs in the banking industry. Customers with different switching cost levels will manifest distinct relationship between satisfaction and behavioral loyalty. Thus marketing strategies and campaigns should be oriented to better convert switching perceptions into effective loyalty considering its mediating or moderating effects. Though researchers and manager pay increasing attention to customer value satisfaction, loyalty and switching costs, not much is one of

the categories in the switching barriers. Switching cost to sustain the relationship

Perceived Risk:

Perceived risk has been closely associated with purchase decision which is further related to potential, financial, performance, physical, psychological or social losses. For example we performed a study to determine the influence that perceived usability has on the user's loyalty to websites they visit.

The result of the empirical analysis conformed that the trust of the user increases when the user perceived that the system was usable and that there was a consequent increase in the degree of website loyalty. In the same way, greater usability was found to have a positive influence on user satisfaction and this also generated greater website loyalty. Finally, it was found that user trust was partially dependent on the degree of consumer website satisfaction. Too it as reviewed several studies and observed perceived

Knowledge and Expertise:

Expertise are skills that enables successful performance of product related responsibilities previous research shows that expertise exerts an influence on brand assessment and strength of attitude. Customers with higher expertise must have a lot of information. The customer must have objective buying behaviour they must give an importance to the quality and availability of the product. For example, customer organization relationships deepen customers increase their expertise in the firm's productive line and industry and develop increased switching costs.

Hypothesis:

H1. Favorable customer perceptions of tangibles positively influence customer satisfaction in an Islamic banking context

H2. Favorable customer perceptions of reliability positively influence customer satisfaction in an Islamic banking context.

H3. Favorable customer perceptions of assurance positively influence customer satisfaction in an Islamic banking context.

H4. Favorable customer perceptions of sincerity positively influence customer satisfaction in an Islamic banking context.

H5. Favorable customer perceptions of formality positively influence customer satisfaction in an Islamic banking context.

H6. Favorable customer perceptions of personalization positively influence customer satisfaction in an Islamic banking context.

H7. Customer satisfaction strongly influences customer loyalty.

H8: Perceived Switching cost has a significant influence on the relationship between customer satisfaction and customer loyalty.

H9: Perceived Risk has a significant influence on the relationship between customer satisfaction and customer loyalty.

H10: Knowledge and Expertise has a significant influence on the relationship between customer satisfaction and customer loyalty.
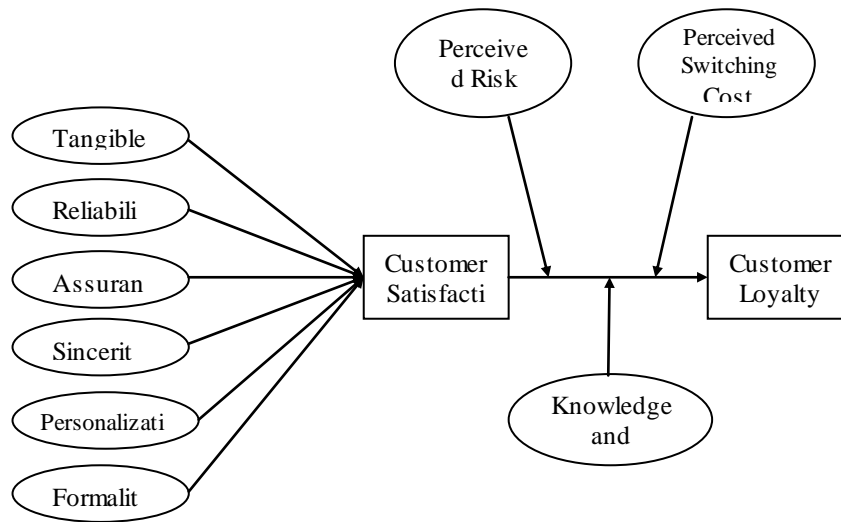
Conceptual Framework:
Research Methodology:
Research Variables:

In this study, customer satisfaction has been taken as independent variable and customer loyalty has been taken as dependent variable. On the other hand, switching cost, knowledge and expertise and perceived risk has been taken as moderating variable.

Sample Selection and Population:

The population consists of all Islamic and conventional banks offering Islamic services. We used purposive sampling from the major cities of Pakistan. There exists a large amount of customers of Islamic banks throughout the Pakistan, so it's hardly possible to figure out all customers. The potential customers of Islamic banks in Pakistan were our unit of analysis. The survey was conducted in three big cities (Lahore, Karachi and Islamabad) of Pakistan. The users of these Islamic banking services were asked to respond through questionnaire. A survey questionnaire was developed and data was collected through this questionnaire by personal visits to the customers. The five points Likert scale used to assess the construct of the present study. The value of this scale ranges from 1(strongly agree) to 5 (strongly disagree).

Collection Procedure:

In this research, questionnaire was distributed among 561 customers of Islamic banks to achieve a greater response rate. Out of all 561 population, 481 questionnaire returned back and this data used for further statistical analysis. Every questionnaire consists of two major sections. Section one consists of general information like name, education level, profession and age. Section two consists of questions of independent variables like tangibility, reliability, assurance, formality, personalization and sincerity. The variables like perceived risk, switching cost, knowledge and expertise were taken as moderating variables while customer loyalty was taken as dependent variable.

Measurement Scale:

A reliable scale PAKSERVE is used in this study rather SERVEQUAL which is used all in the previous research. This particular scale is developed by Rajpoot in 2004

for the Asian and especially Pakistani culture. As SERVEQUAL mostly used in western culture and there is a huge difference between western and Asian culture. Therefore, usage of PAKSERVE scale in customer loyalty and quality of service path in service sector especially Islamic banking is a remarkable contribution in the Islamic banking sector of Pakistan. Furthermore, the application of PAKSERVE in Pakistani culture is also a new concept to measure the quality of the service. The contemporary research on the quality of services and customer loyalty is usually based on scale named SERVEQUAL[10]-[11]. The management researchers strongly believe that customer loyalty and service quality is cultural phenomenon and SERVEQUAL is not applicable in Asian culture as it is not a context-specific scale to measure the quality of service[12]. On the other hand, PAKSERVE scale is a context specific scale to measure the quality of service. The PAKSERVE scale developed by Rajpoot is 20 items six dimension scale.

These dimensions are as follows:

> Tangibility: Tangibility is measured by 3 items.
> Reliability: Reliability is measured by 4 items.
> Sincerity: Sincerity is measured by 3 items.
> Assurance: Assurance is measure by 4 items.
> Formality: Formality is measured by 3 items
> Personalization: Personalization is measured by 3 items.

This scale has been validated across diverse customer traits through several tests and in several industries. After completing the data collection, statistical analysis software SPSS is used to test the proposed hypothesis.

Results:

Gender wise Respondents:

The total respondent of this study were 481 out of which 83.3% were male and 16.7% were female respondent. The chart for the distribution is given below.

Table 01: Respondents with respect to Gender

	Frequency	%	Cumulative (%)
Male	401	83.3	83.3
Female	80	16.7	100.0
Total	481	100.0	

Age wise Respondents:

From the total of 481 respondents, 155 (32.22%) customers of the Islamic banks were of age between 23 to 30 years, 200 (41.5%) were between 31 to 35 years of age, 100 (20.79%) were of age between 36 to 45 years and 26 (5.40%) were age of above 46 years.

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Table 02: Respondents with respect to Age

Age	Frequency	%	Cumulative (%)
23-30	155	32.2	32.2
31-35	200	41.5	73.7
36-45	100	20.7	94.5
>46	26	5.4	100.0
Total	481	100.0	

Education wise Respondents:

More than 200 respondents had bachelor level qualification, 131 had master level qualification and remaining respondents were matric and below matric.

Table 03: Respondents with respect to Qualification

Education Level	Frequency	%	Cumulative (%)
Matric	150	31.1	31.1
Bachelor	200	41.5	72.6
Master	131	27.2	100
Total	476	100.0	

Professional status wise Respondents:

From the total of 481 of the customers of Islamic banks, more than 70% respondents were associated with business, 19% were linked with teaching profession, and 11% were from the other professions this distribution is shown in the table 04.

Table 04: Professional Status wise respondents

Profession	Frequency	%	Cumulative (%)
Business	336	70.0	70.0
Teaching staff	92	19	89.0
Other	53	11.0	100.0
Total	481	100.0	

Correlation Analysis:

The basic purpose of this research is to investigate the relationship between the satisfaction of the customers and customer loyalty, using PAKSERVE scale with three moderators like perceived risk, switching cost, knowledge and expertise. The correlation results of relationship among the variables are given below in the table 5. Our review discoveries demonstrate the positive connection between the tangibility and consumer satisfaction, as r = 0.517, this demonstrates there is strong connection amongst substantial quality and consumer loyalty and furthermore accept our review's Hypothesis 1. Reliability and customer satisfaction, study also concludes a positive correlation among reliability and customer satisfaction with r = 0.584 which support the second hypothesis as well. There is positive correlation between the assurance and customer satisfaction with r = 0.638 and this value shows the correlation among them, which also support the 3rd hypothesis. Furthermore the 4th hypothesis of positive relationship between customer satisfaction and sincerity with r = 0.547 which also support that hypothesis with positive correlation. However the 5th hypothesis of the positive relation between personalization and customer satisfaction is also shows significant r value r = 0.658 which justify the 5th hypothesis. The 6th hypothesis is there is positive relationship between formality and

customer satisfaction which also shows a significant r value r = 0.607, and support the study's 6th hypothesis. The seventh Hypothesis of the review express that there is a positive connection between satisfaction of the customers and customer loyalty and it is additionally firmly upheld by the r value.445 which lead towards the acceptance of the 7[th]hypothesis. The 8th hypothesis of the study state that perceived switching cost strongly influence the relationship among the satisfaction of customers and loyalty of the customers, and the r value of this hypothesis is 0.688. In the 9th hypothesis, perceived risk has a very strong impact between the relationship of customer satisfaction and loyalty, and we find out that the r value is 0.612 and 0.538. Therefore the results support the 9th hypothesis. The last hypothesis is that there is a strong impact of knowledge and expertise among the customer satisfaction and loyalty relation, and the r value for that relationship is 0.612 and 0.531. These r values strongly predict that acceptance of the 10th hypothesis.

Table 05: Correlation Analysis

	Tangibility	Reliability	Assurance	Sincerity	Personaization	Formality	Satisfaction	Loyalty	Switching Cost	Knowledge Exp	Perceived Risk
Tangibility	1										
Reliability	.589**	1									
Assurance	.581**	.671**	1								
Sincerity	.542**	.562**	.626**	1							
Personaization	.557**	.586**	.624**	.699**	1						
Formality	.374**	.519**	.496**	.459**	.627**	1					
Satisfaction	.517**	.584**	.638**	.547**	.658**	.607**	1				
Loyalty	.484**	.434**	.525**	.557**	.553**	.445**	.446**	1			
SwitchingCost	.550**	.586**	.560**	.559**	.659**	.505**	.655**	.521**	1		
KnowledgeExp	.584**	.634**	.585**	.576**	.583**	.484**	.612**	.531**	.688**	1	
PerceivedRisk	.567**	.585**	.620**	.614**	.645**	.500**	.528**	.667**	.648**	.598**	1

**. Correlation is significant at the 0.01 level (2-tailed).

Reliability Analysis:

The reliability of all variables used in this study is given table 6. Cronbach's Alpha of tangibility is 0.670, which is acceptable for the study. Cronbach's Alpha of reliability has 0.734 on reliability scale and that is also acceptable. However Assurance scored 0.801and is in an acceptable range. Similarly, 0.706 value of Cronbach's alpha for sincerity is highly reliable. However the scale of personalization value is 0.794 which is also acceptable. The formality has 0.622 on the reliability scale which is also an acceptable value. Now the independent variable such as customer satisfaction has the 0.732 reliability value on the scale which we can assume highly acceptable.

Now coming towards the moderators of the study, which are:

Perceived Risk	0.630
Switching cost	0.704
Knowledge and expertise	0.698

These all are have acceptable values on the reliability scale. At last there comes the dependent variable which is loyalty of the customers and has reliability value of 0.687 and the value is in the range of acceptance.

Table 06: Reliability Values

S. No	Variable	Cronbach's Alpha
1	Tangibility	0.670
2	Reliability	0.734
3	Assurance	0.801
4	Sincerity	0.706
5	Personalization	0.794
6	Formality	0.622
7	Customer Satisfaction	0.732
8	Perceived Risk	0.630
9	Switching Cost	0.704
10	Knowledge and Expertise	0.698
11	Customer Loyalty	0.687

Regression analysis:
Test of Hypothesis 1

In this regression, we used the customer satisfaction as dependent variable & tangibility was taken as an independent variable. It was hypothesized earlier in the study that customer satisfaction in an Islamic banking context is influenced by favorable customer perceptions.

Table 07: Regression Analysis (customer satisfaction, tangibility, reliability, assurance, sincerity, personalization, formality)

Dependent Variable	Hypothesis	Independent Variables	Adj. R^2	Beta	Std. Error	Std. Beta	t-value	Sig
Customer Satisfaction	H1	Tangibility	0.266	.555	.042	.517	13.152	<0.01
	H2	Reliability	0.399	.656	.042	.584	15.645	<0.01
	H3	Assurance	0.406	.615	.034	.638	18.061	<0.01
	H4	Sincerity	0.298	.599	.042	.547	14.224	<0.01
	H5	Formality	0.367	.586	.035	.607	16.621	<0.01
	H6	Personalization	0.432	.706	.037	.658	19.046	<0.01

Table 07 shows the regression results for study. Adjusted R^2 value score 0.266 reveals that 26.6% change in customer satisfaction is measured by tangibility.

Standard beta of 0.56 shows that due to change in one unit of tangibility, there will be 0.556 unit change in satisfaction of the customer. Furthermore the $p<0.01$ & t-value = 13.152 are supporting the significant relationship of customer satisfaction and tangibility. So based on the results, we accept the 1st hypothesis.

Test of Hypothesis 2:

In 2nd regression the customer satisfaction is used as dependent variable and reliability as independent variable. **Table 7** represents the regression results. Here in this case the adjusted R^2 is value of 0. 399 explaining that the reliability measures 39.9% change in customer satisfaction and standard beta of 0.66 indicate that due to change in one unit of reliability, there will be a change of 0.66 units in satisfaction of the customer. Furthermore, the $p < 0.01$ and t value = 15.645 supports the significant of study. So, based on the statistical result, we accept the 2nd hypothesis of the study.

Test of Hypothesis 3:

The third hypothesis is that in Islamic banks, customer perception about assurance positively influences satisfaction of the customers. In 3rd regression test, we used customer satisfaction as dependent variable and assurance as independent variable. Results are shown in **table 7**. The value of adjusted R^2 is 0.406 which shows that assurance measures for 40.5% change in customer satisfaction, the standard beta of 0.638 shows that with change in one unit of assurance there will be a change in customer satisfaction of 0.465 units. Moreover the p value <0.01 & t value =18.061 also support the significance of the relationship. According to these results, the H_3 hypothesis of the study is accepted.

Test of Hypothesis 4:

In the H_4 regression analysis, the value of adjusted R^2 resulted to be 0.298 explaining that 29.8% change in customer satisfaction is measured by sincerity. Standard beta of 0.638 explains that by change in one unit of sincerity, there will be a change of 0.506 units in customer satisfaction values. Furthermore, the p value <0.01 and t value =18.061 supports the significance of their relationship. So, on the basis of these findings, the fourth hypothesis of study H4 is accepted. Results are shown in **table 7**.

Test of Hypothesis 5:

Next hypothesis of study was about favorable customer perceptions of formality positively influences customer satisfaction in an Islamic banking context. Results are shown in **table 7**. Regression analysis shows the value of adjusted R^2 is 0.367, explaining that 36.7% change in customer satisfaction is measured by formality. Moreover, the standard beta of 0.607 also explains that by change in one unit of formality, there will be a change of 0.506 units in customer satisfaction values. Furthermore, the p value <0.01 and t value =16.621 supports the significance of relationship. So, on the basis of these findings, the fifth hypothesis of study H_5 is accepted.

Test of Hypothesis 6:

Next hypothesis of the study was about favorable customer perceptions of personalization influences customer satisfaction in an Islamic banking context. Results are shown in **table 7**. The value of adjusted R^2 in the results totaled to 0.432 explaining that 43.2% change in customer satisfaction is measured by personalization. Standard beta of 0.658 explained that by change in one unit of personalization, there will be a change of 0.658 units in customer satisfaction values. Furthermore, the p value <0.01 and t value

=19.064 supported the significance of relationship. Hence on the basis of these findings, the sixth hypothesis of study is accepted.

Test of Hypothesis 7:

The 7th hypothesis was relating to customer satisfaction strongly influences customer loyalty. We take customer loyalty as dependent variable and customer satisfaction as independent variable. Results are shown in **table 8** which denotes the value of adjusted R^2 = 0.197 explaining that 18.7% change in customer satisfaction is measured by customer loyalty. Standard beta of 0.446 also explained that by changing one unit of customer loyalty, there will be a change of 0.446 units in customer satisfaction values. Furthermore, the p value <0.01 and t value =19.064 supports the significance of relationship. In the light of above mentioned results, the H7 is also accepted.

Table 08: Regression Analysis (Customer Satisfaction and Loyalty)

Dependent Variable	Hypothesis	Independent Variables	Adj. R^2	Beta	Std. Error	Std. Beta	t-value	Sig
Customer Loyalty	H7	Customer Satisfaction	0.197	.450	.014	.446	1.842	<0.01

Test of Hypothesis 8:

The 8th hypothesis of the study was related to the perceived switching cost's relationship between customer satisfaction and customer loyalty. Here we checked the moderating effect of switching cost between customer satisfaction and customer loyalty relationship. As it has already been discussed that there is significant relationship between customer satisfaction and customer loyalty but due to the moderating impact of switching cost, the relationship is moderate as we see in **table 09** that the adjusted R^2 is increased from 0.197 to 0.246, which shows the moderation between the relationships. Furthermore, the standard beta also decreased from .446 to .561. So we conclude from the results that there is relationship between customer satisfaction and customer loyalty but due to the moderator of switching cost, their relationship will be stronger. Hence the hypothesis 8 is accepted.

Table 09: Regression Analysis (Customer Satisfaction, Loyalty and Switching Cost as Moderator)

Model	Dependent Variable	Hypothesis	Independent Variables	Adj. R^2	Beta	Std. Error	Std. Beta	t-value	Sig
1	Customer Loyalty	H8	Customer Satisfaction	0.197	.450	.014	.446	10.842	<0.01
			Customer Satisfaction	0.246	-.068	.100	-.068	-.683	<0.01
2			SC-Moderator		.089	.016	.561	5.663	<0.01

Test of Hypothesis 9:

The 9th hypothesis of the study related to the perceived risk having a strong influence among the relationship of customer satisfaction and customer loyalty. Here we checked the moderating effect of perceived risk on the relationship between customer satisfaction and customer loyalty. As we discussed earlier with result that there is significant relationship between customer satisfaction and customer loyalty but due to the

moderation impact of switching cost the relationship is moderate as we see in **table 10** that the adjusted R^2 is increased from 0.197 to 0.265 which also shows the moderating effect between the relationships. Furthermore, the standard beta also decreased from .446 to .906. So, we conclude from these results that there is relationship between customer satisfaction and customer loyalty but due to the moderator of switching cost, the relationship will be more strengthen. We accept the hypothesis 9.

Table 10: Regression Analysis (Customer Satisfaction, Loyalty and Perceived Risk as Moderator)

Model	Dependent Variable	Hypothesis	Independent Variables	Adj. R^2	Beta	Std. Error	Std. Beta	t-value	Sig
1			Customer Satisfaction	0.197	.450	.014	.446	10.842	<0.01
	Customer Loyalty	H9	Customer Satisfaction	0.265	-.332	.069	-.329	-4.832	<0.01
2			PR-Moderator		.143	.011	.906	13.285	<0.01

Test of Hypothesis 10:

The 10th hypothesis of the study related to the knowledge and expertise having a significant influence on the relation between customer satisfaction and customer loyalty. Here we check the moderating effect of knowledge and expertise among the relationship of customer satisfaction and customer loyalty. As we earlier discussed with previous hypothesis test results that there is strong relation among customer satisfaction and customer loyalty but due to the moderation impact of knowledge and expertise the relationship is moderate as we see in **table 11** that the adjusted R^2 is increased from 0.197 to 0.265 which shows the moderation between the relationships. Furthermore, the standard Beta also decreased from .446 to .602. So, we conclude that from that result that there is a strong relation among customer satisfaction and customer loyalty but due to the moderator knowledge and expertise the relationship will be more strengthen. We also accept the hypothesis 9.

Table 11: Regression Analysis (customer satisfaction, loyalty, knowledge and expertise moderator):

Model	Dependent Variable	Hypothesis	Independent Variables	Adj. R^2	Beta	Std. Error	Std. Beta	t-value	Sig
1			Customer Satisfaction	0.197	.450	.014	.446	10.842	<0.01
	Customer Loyalty	H10	Customer Satisfaction	0.265	-.100	.093	-.099	-1.072	.284
2			KE-Moderator		.094	.014	.602	6.522	.000

Discussion and Conclusion:

It is found that customer satisfaction with respect to service quality has never been tested in Islamic banks of Asian countries with moderators like of perceived risk, switching cost, and knowledge and expertise by using the PAKSERVE scale. This particular study contributes to the development of theory in mainly two ways; firstly it validates the PKSEVE scale in term of applicability to various contexts and culture. Secondly the customer satisfaction-to loyalty path which is based on PAKSERVE scale

has been established and presented for Islamic banks of Pakistan. In this way the researcher had fulfill the recent calls by the service marketers to conduct the studies which are context-specific. The PAKSERVE model reveals all the result of six dimensions and it is reliable in Pakistani context. This has been mainly due to the fact that the cities which we select are multi-ethnic and there are peoples of different culture lives. Based on these cultural differences they have different expectations about the quality of service. This indicates that customer satisfaction and quality of service is purely a cultural phenomenon and it must be conducted on local cultural basis. This study also provides additional elements that can increase the service quality level provided by the Islamic banks of Pakistan. The PAKSERVE dimensions such as Sincerity, Personalization, and Formality must be considered while formulating and implementing the service quality program by the Islamic banks. In this way the researcher found the path from the satisfaction of the customers to the loyalty of the customers. It has been observed that satisfaction of the customers strongly predicts the loyalty of the customers in Islamic banking industry of Pakistan. The results obtained from the study also support the previous researches conducting in service sector. It is therefore recommended that customers should primarily focus upon personalization and sincerity dimensions, as these two dimensions shows the higher co-efficiency value among all. This shows that the customer of Pakistani Islamic banks focus on attaining a sincere and highly personalized behavior from the staff of the banks. The findings of the study are also in line with the study conducted by Gronroos in 2000, where he found that employee's sincere and personal knowledge about customer as key to service relationship. These results also acknowledge the role of national culture in delineating the service quality conduct. The SERVEQUAL dimensions of tangibility, assurance and reliability have very low co efficient values as compared with three new dimensions of PAKSERVE. On the basis of above discussion, we can conclude that customer satisfaction and loyalty is purely a cultural phenomenon.