



# The Effect of Islamic Marketing Ethics toward Customer Satisfaction, Trust and Loyalty to Islamic Banks

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**Abstract:** Islamic banks (IBs) are built based on the ethical foundations as guided by Islamic law. The fundamentals of Islamic finance, such as risk and reward sharing, have been reported to hold universal values because the principles of fairness and justice may be attractive to a more extensive and diverse investor and depositor base regardless of their religion. This study was conducted to propose the effect of Islamic marketing ethics practice on customer satisfaction, trust, and loyalty to Islamic banks. Each of the elements in the Islamic marketing mix, product, price, place, promotion, and people was proposed to have a relationship with the Islamic bank's customer satisfaction, trust, and loyalty. Methodology for data collection was also elaborated to guide future researchers in materialized the study data.

**Keywords:** Islamic marketing, customer satisfaction, trust, Islamic banks

**Paper type:** Empirical paper

## 1. Introduction

Religion is part of human life and influence how people's beliefs and act. In an organization context, religion might affect the outlines and conduct regarding organization matters, including the approach and decisions undertaken by managers and employees. Scholars asserted that the role that religion plays in numerous human interactions is seemingly inseparable (Spilka et al., 2003). Hejase et al. (2012) further emphasized that religion, which is an element of culture, has a significant effect on shaping society. It also contributes to various decisions made by individuals in daily life, including decisions to purchase (Hejase et al., 2012). The Islamic marketing principles combine a value-maximization concept with the principle of 'justice' for the more significant benefits and broader

welfare of the society (Abdelkader and Abdul Latiff, 2008). The Islamic ethical guidelines, both bankers and customers, earned respect and individual freedom within the context of financial offerings and experience.

Marketers' exploitation of their customers or any other conduct which inclusive to dishonesty, fraud, or deceit is vehemently opposed as in the assertion within Islamic ethics guidelines. Correspondingly, the practice of any unethical marketing activities or conduct devoid any sense of justice (Saeed, Ahmad, and Mukhtar, 2001). Thus, adopting the Islamic marketing ethics, not only in business, but in daily lives, promotes harmony (Hassan et al., 2008).

Islamic banks (IBs) are built based on the ethical foundations, which are highly promoted by Islamic law, the Shari'ah (DiVanna, 2006). The fundamentals of Islamic finance, such as risk and reward sharing, have been reported to hold universal values because the principles of fairness and justice may be attractive to a more extensive and diverse investor and depositor base regardless of their religion (Al-Suwailem, 2008; Schoon, 2009). However, the literature suggests that IBs rely heavily on a religious appeal to attract the Muslim clientele while systematically ignoring the importance of highlighting the core benefits of Islamic finance to non-Muslim clientele despite the inherent ethical credentials of Islamic finance (Jabaly, 2013; Sayani and Miniaoui, 2013; Okumus and Genc, 2013).

The marketing literature suggests that a large number of unethical marketing practices (particularly on the promotional and communication side) relate to the marketing mix (price, product, place, promotion, and people). They may involve false advertising, pressure selling (Landler, 1991), unsafe or harmful products (Schlegelmilch and Öberseder, 2009), deceptive or questionable pricing, deceptive communication, bribery, inequitable distribution, and promotion of materialism (Brinkmann, 2002). Despite the skepticism and debate on the use of marketing mix in the marketing literature, Saeed et al. (2001) relied on its simplicity to present a model of Islamic ethical marketing.

Islamic marketing ethics combines the principle of value maximization with the principles of equity and justice for the welfare of society (Abdelkader and Abdul Latiff, 2008). The coined principles are offered on the basis to allow the creation of value and improve the standard of living of people in general through commercial pursuits. The Islamic ethical guidelines, both bankers and customers earned respect and individual freedom within the context of financial offerings and experience. Marketers' exploitation of their customers or any other conduct which inclusive to dishonesty, fraud, or deceit is vehemently opposed as in the assertion within Islamic ethics guidelines. Correspondingly, the practice of any unethical marketing activities or conduct devoid any sense of justice. Nonetheless, there were scarce works of literature that address the effect of practicing the right Islamic marketing ethics on customer satisfaction, trust, and loyalty to the financial institution, particularly Islamic banks.

The ethical standard practices by frontline employees, as perceived by customers, have been found to have a significant positive impact on customer satisfaction (Jamal and Naser, 2003). Meanwhile, other studies established a positive relationship between Islamic ethical sales practices and behaviors as perceived by customers with increased customer trust (Naser and Moutinho, 1997; Kennedy et al., 2001). Strutton et al. (1996) posited that the ethical practices showed by frontline service employees (such as CRAs) perceived as following Islamic principles by the customer would likely lead to good perception of the Islamic banks, hence affecting customer satisfaction by meeting their expectation of an Islamic financial institution. Besides, the interactions with customers that follow ethical principles have been recognized as one of the most critical determinants for customer loyalty to the organization (Naser et al., 1999). Similarly, an employee with whom customer interacts perceived as unethical from customer's perspectives had a negative impact to customer's intention to recommends the company represented by the employee (Trawick et al., 1991). Therefore, there was the existing link between ethical marketing practices and customer satisfaction, as proven in past studies. Thus, using the 5Ps framework of Islamic marketing mix by Saeed et al. (2001), this study was conducted to propose the effect of Islamic marketing ethics practice on

customer satisfaction, trust, and loyalty to Islamic banks.

## 2. Literature review

### A. *Islamic ethics of business conduct*

The superiority of the Islamic business concept that needs to be adopted in business operations has been recognized by many organizations (Rafiki and Abdul Wahab, 2014). In this regard, Islamic values are known as a set of beliefs and morals ethics (Asad, 2007). Abbasi et al. (2010) contended that Islamic values are a comprehensive and self-contained ideology encompassing all aspects of human existence such as physical, intellectual, spiritual, moral, personal, and communal in human life.

Islam supports morals and causes that contribute to a healthy society and have much enforced any efforts to combat corruption and factors that lead to corruption. Islamic ethics safeguards its followers seriously in their actions, speeches, thoughts, and intentions. They comply with moral and ethical norms in family affairs; when dealing with relatives, friends, and neighbors; in business transactions; and in personal and public life. The unique and advantage of the Islamic ethical system are that it covers all areas and context of human life. Islam also has its ethical system to conduct the business transaction of commercial value. It sets specific guidelines on business ethics, which is primarily determined by the *halal* (legal or reasonable) and *haram* (illegal or prohibited) status, as outlined and guided in Islamic law (Mohammed, 2013). In Islamic marketing ethics, it is not fair for sellers to convince customers to buy products by exaggerating or over-claiming of their products to gain more profits (Akhter et al., 2011). It is also unfair for the salesperson to hide relevant and related information or conceal some defects of deficiencies regarding specific products.

### B. *The ethical foundation of Islamic banks*

Since the establishment of the first Islamic bank in the 1970s, the Islamic banking and finance industry has continued to stage remarkable growth. Today, the industry has achieved critical mass with total assets of Islamic Banks (IBs) reaching around USD 2.0 trillion, recording double-digit growth since 2000 and with the industry expecting to be worth USD 3.0 trillion within the next decade (Damak, 2015).

Many scholars believe that IBs are established as a practical manifestation of the Islamic economic philosophy, which is derived from the primary sources of Islamic law. The purpose of IBs is to offer the same intermediary functions as conventional banks but engaging in permissible activities as defined by these principles (Lewis and Al-Gaud, 2001; Hakim, 2007). Haniffa and Hudaib (2007) recount five characteristic that differentiate IBs from their competitors (conventional banks). First, they both have a different underlying philosophy and values; second, IBs are operated based on the provisions of interest-free products and services; third, IBs are restricted to offer shariah approved products and services; forth, developmental and social goals are important; and lastly IBs are required to go through Shari'ah supervisory boards prior to offering products and services to the customers. The shari'ah approved products offers by IBs are free from *riba'*- based (interest-based) transactions and are instead required to operate on a profit-and-loss sharing (PLS) basis with depositors (Brown et al., 2007; Hearn et al., 2012). As a logical corollary to the prohibition of *riba'*, the Shari'ah has prohibited all benefits accruing to a person without any labor, risk, or expertise (Ayub, 2007). Apart from the prohibition of *riba'*, IBs are also free from *maysir* (games of chance, gambling) and *gharar* (uncertainty, speculation) related activities (Duran and Garcia- Lopez, 2012).

According to Dusuki and Abdullah (2007), the Islamic banking system has an in-built dimension that promotes ethics and social responsibility. It is submitted that the ethical values of IBs are enshrined within the above-mentioned foundational principles of Islamic finance and that, to a more significant extent, the ethical framework of IBs is dictated by the underlying prohibitions involving the financial transactions of IBs. Prohibitions from trading in ambiguous and prohibited elements in

Islam, such as tobacco, alcohol, armaments, and gambling stem from the concern to protect health and life (William and Zinkin, 2010).

Furthermore, the prohibited transactions of forbidden (*haram*) products should be avoided, but only allowed permissible products (*Halal*) to be traded. Hejase et al. (2013) assert that prohibited transactions include fraudulent, redundant, injustice, manipulation of prices to gain exorbitant profits, and any prohibited promotions by Islam. Beekun and Badawi (2005) emphasized that the moral nature of business conduct is considered as an act of faith by the believers and thus, is considered a form of protection, not a threat to a free market system. In this sense, the ethical command in Islam is not an obstacle for the IB to achieve its economic goals. Instead, it provides a competitive advantage while ensuring that economic goals are achieved with moral obligations to markets and society.

In the marketing context, ethical judgments are not left entirely to market forces but have an added layer of oversight to enhance the ethical credentials of IBs. Thus, marketing from an Islamic perspective would be aimed at fulfilling both spiritual and physical well-being (Gibbs and Ilkan, 2008). A marketer of IB would, therefore, be expected to observe Islamic obligations in all business transactions in the process of satisfying customer needs (Williams and Zinkin, 2010).

### C. *Islamic marketing ethics*

Religion has always been an essential part of the social fabric. A fundamental precept of all the religions has been the consistent teachings on the individual and collective behavior of human beings (Williams and Aitken, 2011). Islam has no exception.

Elaborating Shari'ah's duties from a marketing perspective, Ayub (2007) describes fair dealing, honesty, straightforwardness, free consent, and the negation of misstatement, misrepresentation, and exaggerated product descriptions as essential pillars of marketing ethics from an Islamic perspective. He further contends that false swearing, lying, and hiding facts must be avoided in transactions. This shows that the Islamic approach to ethics can be considered, based on definitions by Hunt and Vitell (1993), teleological or consequentialist, although there are also traces of the deontological approach, particularly when it comes to the emphasis on individual responsibility towards the society. In that sense, Islamic ethics combine both teleological and deontological ethical considerations due to their emphasis on duties as well as their concern for the consequences of fulfillment or non-fulfillment of these duties.

Beekun and Badawi (2005) and Saeed et al. (2001) have, in particular, discussed marketing ethics from an Islamic perspective, which can be equally applicable to IBs alongside other businesses. Saeed et al. (2001) propose a new ethical marketing model based on Islamic principles characterized by "value-maximization" as opposed to "profit-maximization" and argue that the application of the Islamic perspective to the field of international marketing is relevant and useful in developing and maintaining an influential culture of ethical behavior. The authors believe that shifting the thrust of marketing away from profit-maximization towards value-maximization will create a collaborative and value-laden global order that does not harm the competitive advantage of an organization.

The general thrust of Saeed et al. (2001) is that the existing marketing ethics theories have not dealt with the concepts of justice and utility adequately. They contend that these theories have ignored the transcendental aspects which render them incomplete, of limited application, and open to interpretation according to the whims of business people. They argued that the emergence of a trans-societal global moral order, despite the dominance of ethical relativism, may be a result of a universal natural desire for a more stringent moral and ethical value system (Saeed et al., 2001). They believe that this is because there are intrinsic universal moral values at our very core irrespective of time, religion, culture, economic status, race, or creed. Hence, Saeed et al. (2001) argued that the desire for a global moral order could be better explained and facilitated by an ethics system based on Islamic principles, which are not relative but absolute and hence leave no room for misinterpretation by marketers.

In that regard, they explain that the Islamic commercial activities are governed by two principles.

The first principle is submission to the moral order of Allah, and the second is empathy and mercy to Allah's creation, which essentially means refraining from doing harm to others and thus preventing the spread of unethical practices (Niazi, 1996). Therefore, they believe that a global ethical business framework (including marketing) based on the Islamic principles of value-maximization will be applicable for all times and across all cultures as the human desire for a global moral code is enshrined within the natural inclination in Islam to achieve higher ideals (Saeed et al., 2001).

#### *D. The Islamic marketing mix (5Ps)*

The marketing mix, commonly known as 4Ps, was initially introduced by Borden (1964) as a 12-point strategy to approaching critical aspects of marketing management. However, McCarthy (1971) simplified these 12 categories into the more identifiable 4Ps, namely, product, price, promotion, and place (Magrath, 1986). As the marketing discipline evolved, its emerging strands and sub-disciplines have found it convenient to propose alternatives to the 4Ps of marketing. For instance, Booms and Bitner (1982) suggested three additional Ps (people, physical evidence, and processes) address service marketing related issues (as cited in Zineldin and Philipson, 2007).

However, despite criticism, convenient additions (more Ps), and various competing propositions, the marketing mix continue to remain valid in practice to this day with the majority of the industry consistently relying on the marketing mix to drive their marketing strategy (Hasan et al., 2008). This might partly be because the majority of marketing research scholars and practitioners grew up learning about the marketing mix and, therefore, would have found it hard to switch to various other alternatives, which were considered to be too cumbersome and complicated as opposed to the simple 4Ps framework. Some of the recent research suggests that the practitioners continue to be attracted to the mix's simplicity and applicability. Thus, a new and more complicated framework are not needed unless proven to be enriched than the 4Ps (Constantinides, 2006).

As mentioned earlier, this study adapted theoretical framework proposed by Saeed et al. (2001) and Beekun and Badawi (2005). Also, to maintain consistency with Saeed et al. (2001), the marketing mix approach has been employed to review the extent to which the ethical foundations of IBs and Islamic marketing ethics translate to IB marketing practices in the literature. However, instead of the 4Ps, a 5Ps model suggested by Saeed et al. (2001), which includes an additional P for "People", has been used. The people factor reflects the importance personnel in the operations of IBs.

#### *Product*

Saeed et al. (2001, pg. 138), mentioned that "Islamic principles dictate that the production process (in the case of IBs, product development process) must be innocent and pure from beginning to end." They further state, "The production process must be guided by the criteria of the value and the impact of the product upon the whole society which is to prevent conflict, unjustified profits, fraud, uncertainty, and harm to society" (Saeed et al., 2001, pg. 138). There should be no violation in the form of products against Islam, such as attractive packagings like women's underwear, feminine pads, and diapers. They should also encourage social and welfare approaches and do not resort to making decisions based on profit maximization (Abuznaid, 2012).

In order to meet the needs of different sectors of the population, it is necessary to produce different kinds of products (Ali, 2011). The Islamic perspective is introducing moral and transcendental elements based on the Islamic ethics principles of production in product development and production processes, which is the essence of the transaction with consumers. The principles applied to maintain ethical conduct within the Islamic principle for a product are (Hasan et al., 2008):

- The product should be lawful and not cause dullness of mind in any form.

- The product should be asset-backed.
- The product must be deliverable since the sale of a product is not valid if it cannot be delivered.
- There is a need to identify extra cost-added features that might materially change the product or impact the buyer's purchase decisions.

There are two aspects of IB “product,” which can be discussed in the light of the above ethical criteria. These are related to the methods applied by the IBs in developing their products. Almost 80 percent of contracts offered by IBs are based on debt-based contracts while the remaining 20 percents are equity-based (Lewis and Algaud, 2001; Iqbal and Molyneux, 2005; Iqbal and Mirakhor, 2007; Asutay, 2007; Akbar et al. 2012). Many scholars, such as Dar and Presley (2001), Ahmad (2000), Khan and Ahmed (2001), Siddiqui (2002), and Asutay (2007) contend that the debt-based contracts applied by IBs have undermined the true essence of the foundational principles of Islamic finance. However, according to Asutay (2007), persistent usage of the short-term model of (debt-based) financing is not recommended as it shows that IBs is not contributing to the social welfare which has a more significant potential contribution to the Islamic economic development.

Several studies (El-Gamal, 2006; Farooq, 2007; and Ahmed, 2011) have argued that Islamic values and the fundamental principle of Islamic finance “sharing the risk” (as part of PLS) are not given priority in the product development process although IBs claim to hold Shari’ah compliance in high regard. Ahmed (2011) has empirically proven that the two primary sources of ideas for the new product development process in IBs are the products of other IBs (53%) and the products of conventional banks (46%). As such, practices in product development that relate to either creating or endorsing “Islamised” conventional products with Arabic sounding names such as “Amana” are usually aimed at making more profit by offering costly Islamic alternatives. Such tactics generate skepticism about the ethical dimension of IBs and not only cause controversy among the Muslim clientele but also fail to win over the ethically minded non-Muslim customers.

### *Price*

According to Saeed et al. (2001, pg. 138), “Islam encourages the self- operating mechanism of price adjustments because any unethical lapses in pricing are tantamount to injustice (and are a sin) and all profits that accrue as a result are unethical and unjust.” They further elaborate that:

*“The price adjustment mechanism is subject to prohibitions that include changing the price without altering the quality and/or quantity of the product; overcharging the customer for illicit gain; practicing price discrimination; charging excessive prices as a result of scarcity of supply of a given commodity; hoarding; restriction on trade; unjustified price manipulation; black marketing; and concealment of essential foodstuffs.”* (Saeed et al., 2001).

In this regard, Islam prohibits false propaganda or publicity concerning price, demand, and supply (Abuznaid, 2012). Nevertheless, Islam does not prohibit price controls and manipulations from meeting market needs. However, Islam forbids extortion or making a high profit at the expense of consumers (Koku, 2011). Islam sanctions prices that are determined freely in the marketplace. Furthermore, in pricing, Islamic teaching instructs that sellers must be free to decide the selling price as long as it is not intended to harm or deceive buyers. More importantly, artificially increasing prices harms society and is prohibited (Ali and Al-Aali, 2014). Mortazavi (2004) manifests that Islamic social justice demands regulation of the market to guarantee that prices remain fair in the marketplace.

The ethical dimension of pricing is not an issue unique to IBs, where most marketing managers are faced with this dilemma (Amine et al., 2012). However, many studies show that the ethical

dimension in the pricing of IBs is not consistent with the price adjustment mechanism, as introduced by Saeed et al. (2001). Housby (2005) noted that Muslim customers find Islamic mortgages to be more expensive than conventional mortgages and only see it as exploitation on behalf of the IBs. This situation has remained mostly unchanged in terms of the price of Islamic mortgages, as Wilson (2010) many years later echoed. Price sensitivity (Wahyuni, 2013) and higher commissions (Okumus and Genc, 2013) are cited as two factors exacerbating the low take-up of IB services and the level of customer satisfaction among potential customers. More recently, Latif et al. (2016) have reported that conventional banking products continue to be better positioned in terms of price and services. A significant reason for the higher prices for IB products cited by Ghoul (2012) is a “Shari’ah” premium, which is a result of the additional cost of acquiring Shari’ah compliance certification, fees for product engineering or legal fees. Notwithstanding the reasons for the higher prices, the fact remains that prospective clients consistently find the prices to be prohibitive to engage with IBs.

### *Promotion*

Saeed et al. (2001) have outlined the principles of promotion from an Islamic perspective as follows:

*“There is no room in Islam to justify any cover up in promotional behaviour. In terms of Islamic marketing ethics, it is unethical to attribute the qualities to the products which they do not possess. Giving false impression of any kind to sell a product is completely prohibited in Islam. In addition, it is obligatory for the sellers to reveal all available and known information of defects to the purchaser which cannot be seen on the surface and cannot be found out by a cursory glance. Islamic principles dictate that promotional techniques must not use sexual, emotional, fear or false research appeal to attract customer and should not encourage extravagance.”* (Saeed, 2001, pg. 133).

Some of the practices described in the “Products” section are also similarly applicable to the “promotion” aspect of IBs, which raises ethical issues. For instance, it is a fact that there exists the practice within Islamic banks where an IB product is essentially reproduced by simply duplicating existing conventional products and adjusting the technical differences to simplify the “Islamized” process of the products. Housby (2005) saw no sign that the ethical issue lies behind the Qur’anic prohibition of *riba*’ are taken into account in the product development process, yet the company believes that their expert team has developed a *halal* version of conventional products. Housby (2005) further highlight that promotional material produced by banks are not transparent enough for customers to make a clear decision and judgment about the product. Instead, it is recommended that consumers to fully trust the Shari’ah scholars and experts who review the products.

The survey studies of Islamic banks conducted by Khan (2011; 2015) in the Middle East, Pakistan, Malaysia, and the United Kingdom have also highlighted ethical concerns about IB’s marketing practices. According to this survey, IB clients in Malaysia and the United Arab Emirates (UAE) were not convinced enough that bank advertising was ethical (Khan, 2011, 2015). Khan (2011; 2015) also conducts a content analysis on the IB website to detect unethical practices in advertising and promotional campaigns. The authors point out that bank Islam (Malaysia) is trying to attract customers by offering them an enormous amount of money, a practice which considered unethical in Islam for promoting gambling, which strongly prohibited. Other banks offer incentives such as discounts, reward points, and travel, but pay little attention to providing Shari’ah compliance information, which should be the cornerstone for consumers to make purchasing decisions (Khan, 2011; 2015). Incidentally, these practices are practically not allowed according to Malaysia’s Shariah Governance Framework (2011). However, there is evidence that IB does not maintain the highest ethical standards in promotional activities. Therefore, the promotion of those products that do not have clear information about the structure that can be considered unethical due to the infringement of “information leakage” as mentioned by Saeed et al. (2001).

### *Place*

With regards to the “place,” the focus of Saeed et al. (2001) has been the distribution, transportation, and packaging of physical goods. Saeed et al. (2001) mentioned that, according to Islamic principles, in distributing the goods and services, the end customer should not be burden with various issues such as price hikes or delays in product/service delivery. In addition, Hasan et al. (2008) contend that Islamic institutions adopt various strategies in their products distribution. Among the strategies are; avoiding product manipulation and exploitation, as well as appropriately design their marketing channel by eliminating coercion and harmful activities.

In some countries such as Malaysia, Pakistan, and also countries in the Middle East, “places” may not bring much concern to ethical decisions due to the fact that majority of the populations are Muslim. However, in countries where Muslims are minorities, it should be taken into account because they are small but with important sizable markets. For example, in the UK, the framework of the IB network cannot meet the growing Islamic financial needs, according to the latest census (2011), which accounted for 2.7 million people. Al Rayyan Bank (formerly British Islamic Bank) is the only Islamic bank that has a strong presence in the country, and so far, there are only ten branches in the UK. Existing banks that sell shari’ah financial products and services through ATMs are another ethical issue in terms of “place” perspective. While their presence in significant locations and large branch networks can facilitate many to access, many Muslim customers are reluctant to address these institutions because of the core business of interest-based lending and borrowing. Consequently, Islamic customers cannot see this institution as a viable Islamic financial solutions provider.

### *People*

Saeed et al. (2001) mentioned that:

*“Islamic ethics demand protection to enable free and independent judgment on the part of the customer. A marketer should not resort to any form of coercion and must make available all known information on a product or service to enable the customer to make an informed decision.”*

They further stress that:

*“Any transaction concluded under constraints or coercion is prohibited since Islamic marketing ethics dictate that society at large must have access to honest information free from coercion”* (Saeed et al., 2001).

In view of the above, it is important that IB have a deep knowledge of the Islamic approach to ethics; by hiring a marketing professional with a solid Shari’ah and Islamic ethical background. This is because the asymmetry of information and attributes based on the IB operational service increases the risk of behavior that goes against ethics among the marketing managers of IB. Banks, financial services providers, always have better information and knowledge about products and services they offered to customers (Sayani and Miniaoui, 2013). The asymmetry of this information, limited-service functions, and user knowledge bases hinder the actual evaluation of exchange value and create incentives for administrators to act unethically (Gummesson, 2004).

Islamic finance has relied on experts in the banking and financial sectors to develop its products and services in the earlier stage, whereby these experts were from the conventional background that has limited knowledge on the risks of equity securities (Ahmed, 2011; Al-Zumai and AlWasmī,



2016). According to Ahmed (2011), this dependency may have contributed to the difference between IB and PLS structure driven by Islamic law legal sources. It can be assumed that it is desirable for such professional experts resorting to existing tried and tested methods for other external and internal organizational functions such as marketing.

Karbhari et al. (2004) found that in looking for the potential employees, IBs give preference to candidates with technical skills, banking knowledge, and financial analysis over those with knowledge of Shari'ah or Islamic principles of banking. Thus, professionals and graduates who is equipped with banking and Shari'ah knowledge is important (Ahmed, 2011; Hanif and Iqbal, 2011; Desai, 2016; Djebbar, 2016; Shabbir et al., 2016). Furthermore, several studies (Cottone et al. 2007; Walker et al., 2011; Singhapakdi et al. 2012) have provided evidence for the linkage between religiosity and ethical decision-making capabilities among the managers. A higher level of ethical understanding by IB managers can also enhance customer loyalty (Mostafa and ElShan, 2016).

### *Customer satisfaction*

Oliver (1997) describes customer satisfaction as meeting customer expectations of products and services. Customers are satisfied if the performance meets or even beyond customer service's expectations. Otherwise, they are not satisfied. According to this theory, consumers form an expectation of product performance before buying them. The expectation are based on their experience of the product itself, or similar products, different marketing stimuli, the existing attitude, and the secure feeling of the user (Moon et al., 2011). Literature has used two approaches to operationalize satisfaction. The first is to measure customer satisfaction with valuation relating to transactions (Host and Knie-Andersen, 2004). It represents the customer's sense of judgment to a specific product or service (Bitner and Hubbert, 1994). The other operational concept determines the satisfaction and dissatisfaction of customers as cumulative satisfaction. This view is determined by satisfaction or dissatisfaction with the product or service from time to time (Zeithaml et al., 1993). In this study, customer satisfaction is operationalized as the assessment of customer satisfaction and dissatisfaction with bank services based on the experience they get from the bank (Fornell et al., 1996. Host and Knie- Andersen, 2004).

Previous researchers have identified several factors that determine customer satisfaction in the Islamic banking sector and the differences in how consumers perceive services in different countries and cultures where generalization cannot be established. For example, Levesque and McDougall (1996) pointed out that the bank's convenience and competitiveness were among the crucial factors that would likely influence overall customer satisfaction levels. In addition, Othman and Owen (2002) mentioned that 65 percent to 78 percent of the customers of Islamic banks in Kuwait are satisfied with their general and personal contact with bank staff. Meanwhile, Malaysian banks were found to have fast and efficient service, good bank staff, confidentiality and speed of transactions, which are critical criteria that Malaysian customers have recognized as on of the factors that influence their satisfaction with the bank's services (Amin and Isa, 2008). It is likely that banks' ability to provide these benefits on an ongoing basis eventually influences the level of customer satisfaction.

### *Customer trust*

Trust is a concept that has dynamic and multi-faceted interpretations (Dimitriadis et al., 2011; Flavian et al., 2005). Trust is also related to the individual's moral obligation in carrying out its functions in society. Islam gives greater emphasis to trust and considers itself to be credible as the nature of mandatory personality (Iqbal and Mirakhor, 2007). Therefore, the underlying philosophy of the dimension of trust in the Islamic banking system can be seen as a symbol of trustworthiness, honesty, fairness, human equality, and moral and ethical values to enhance commercial transaction relationships between banks and customers (Sauer 2002).

Similarly, the ethics and compliance of Islamic principles (Shari'ah) are highly valued and become a pillar of trust-based Islamic banking activities (Kayed and Hassan, 2011). Although the

definition of trust in the business-to-business relationship has been established, it appears to be agreement among scholars to interpret trust as reliable, trustworthy, honesty, confidence, and integrity (Iqbal and Mirakhor, 2007; Othman and Owen, 2002).

### *Customer loyalty*

Loyalty refers to the obligation of consumers to consistently repurchase priority products and services in the future. Loyalty is defined by Baumann et al. (2011) as attitude and behavior intended to repurchase a product or service. Zeithaml et al. (1996) explain that companies able to measure loyalty by measuring the number of their customers who are continue buying from the company. Customer loyalty can be measured using behavioral loyalty, and attitudinal loyalty. Behavioral loyalty refers to the behavior where customers exhibit repurchase action because they like certain brands or services. Meanwhile, attitudinal loyalty reflects the client's emotional and psychological state, which showing a tendency to repurchase and to recommends it to other people they know (Reichheld, 1993).

In this study context, loyalty refers to the ongoing patronage of a particular bank (Islamic banks) by customers for long period (Ladhari et al., 2011). In the banking sector, customers often develop purchasing habits based on experience (Carnum, 2002, Fornell et al., 1996), which leads to loyalty or desire to change (Anthanassopoulos et al., 2001). Loyal customers continue to deal with banks and use positive word of mouths, consequently influence those whom they know. Similarly, they will respond negatively and switch to other service providers as they could not find a good reason to be faithful to the entity (Amin et al., 2011, Kaur et al., 2012).

### **3. Conceptual Framework**

The conceptual framework is presented in figure 1 below.

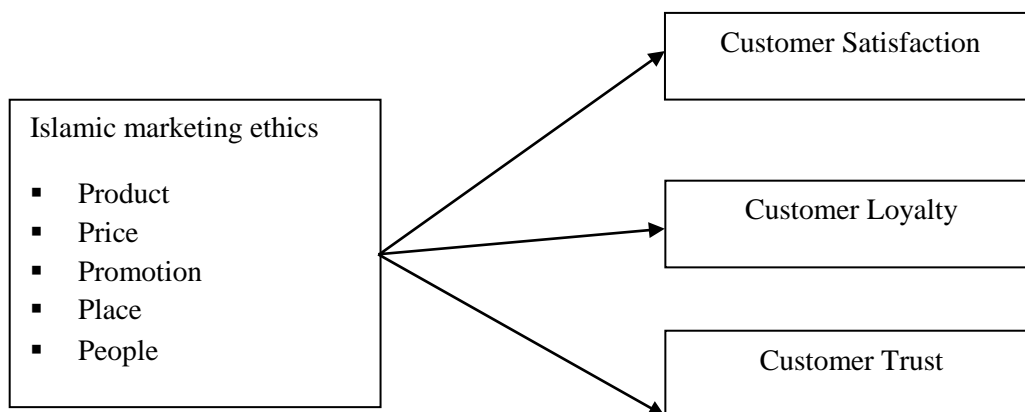


Figure 1: Conceptual framework

### **4. Propose Methodology**

Data can be collected using a quantitative method via the questionnaire instrument. The questionnaire can be distributed to targets customers who visit the Islamic Banks in the targeted area under investigation. As in most situations, the number of customers of Islamic banks is unknown, Cochran's (1977) formula of sample size for an infinite population can be used.

The questionnaire is a suitable method to be used as it collects the opinions of the samples

anonymously (Neuman, 2011). Besides, the use of the questionnaire as a research instrument allows accurate and credible information to be collected as the instructions and questions provided in the questionnaire are standardized, using the same feedback measure and systematically structured for each respondent (Bhattacharjee, 2012). Items to measure the practice of Islamic marketing ethics can be adapted from Abuznaid (2012), while items to measure customer satisfaction can be adapted from Fornell et al. (1996). Besides, items measuring customer trust and customer loyalty can be adapted from Flavian et al. (2005) and Zeithaml et al. (1996), respectively. Data analysis can be done using multiple regression analysis.

## 5. Conclusion

This study was conducted to propose the effect of Islamic marketing ethics practice on customer satisfaction, trust, and loyalty to Islamic banks. Each of the elements in the Islamic marketing mix, product, price, place, promotion, and people was proposed to have a relationship with the Islamic bank's customer satisfaction, trust, and loyalty. Researchers can adapt the framework presented in this study in investigating the perception of consumers towards not only Islamic banking practices but also other institutions practicing Islamic value. In addition to that, it is interesting if a future study can conduct a comparative analysis of the ethical behavior exhibit in the sales and marketing activities between Islamic banks and conventional banks. The comparisons can be used to establish the difference of values in terms of ethical compliance based on respective Islamic and conventional principles and extent of allowance to unethical behaviors between the sales and marketing activities of the two entities. Additionally, further study can also be conducted to identify company-specific factors affecting ethical or unethical marketing/ sales behavior in Islamic banks. Some of the factors that can be taken into account are years of establishment, firm size, and revenues. The firm, which has been established longer, with larger capital size and higher revenues, is expected to have better compliance with Islamic marketing ethics as they have more resources to train their employees and develop programs to monitor their sales and marketing activities. Thus, it is of great interest in Islamic financial services to benefits from such a study as it could be used to formulate improvement measures to sustain their financial activities.

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