EFFECTIVENESS OF ISLAMIC BANKING SYSTEM ON PROMOTING CUSTOMER SATISFACTION: A CASE OF THE PEOPLE’S BANK OF ZANZIBAR (PBZ) ISLAMIC BANK
EFFECTIVENESS OF ISLAMIC BANKING SYSTEM ON PROMOTING CUSTOMER SATISFACTION:
A CASE OF THE PEOPLE’S BANK OF ZANZIBAR (PBZ) ISLAMIC BANK

By
Mudathir A. Jaffar

A Dissertation Submitted in Partial Fulfillment of the Requirements for the Award of the Degree of Master of Science in Accounting and Finance (MSc-A&F) of Mzumbe University.

2014
CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a thesis entitled; Effectiveness of Islamic Banking System on Promoting Customer Satisfaction: A Case of the People’s Bank Of Zanzibar (PBZ) Islamic Bank, in partial fulfillment of the requirements for award of the degree of Master of Science in Accounting and Finance (MSc-A&F) of Mzumbe University

___________________________
Major Supervisor

___________________________
Internal Examiner

Accepted for the Board of ……….

___________________________
CHAIRPERSON, FACULTY/DIRECTORATE BOAR
DECLARATION

AND

COPYRIGHT

I, Mudathir A. Jaffar, declare that this dissertation is my own original work and that it has not been presented and will not be presented to any other university for a similar or any other degree award.

Signature: _______________________

Date: ___________________________

© 2014

This dissertation is a copyright material protected under the Berne Convention, the Copyright Act of 1999 and other international and national enactments, in that behalf, on intellectual property. It may not be reproduced by any means, in full or in part, except for short extracts in fair dealings, for research or private study, critical scholarly review or discourse with an acknowledgement, without written permission of Mzumbe, on behalf of the author.
ACKNOWLEDGEMENT

First of all, I am very thankful to Almighty Allah, who has empowered me with His guidance throughout my life and for giving me strength and capability to complete this work.

I would like to offer my gratitude to my supervisor Dr. Prosper Ngowi for giving me valued guidelines that enabled me to work efficiently. Without his kind supervision, I would never have had the chance to complete my research work on time. Thanks Prof. Ngowi!

The credit is also given to Saada Salim Rashid my beloved mother who has assisted me in terms of morale and financial support. Undeniably, the understanding of my mother has allowed me to carry out my dissertation in a free pressure environment.

I also acknowledge the help and encourage of my beloved wife Nuru Fereij Abeid for her support and prayers during my studies, she being there through thick and thin. A special thanks also goes to my brother Mukrim Abdalla and my sister Muzdalifat Abdalla as they encouraged me to complete my studies and look after my wife and daughter.

I would also like to acknowledge my friends and classmates for their opinions, encouragement and enthusiasm. I would like to thank the respondents of this study as they have participated in my questionnaires surveys. And most importantly, to all lecturers and my fellow MSc. Accounting and finance students of 2012/2013.
DEDICATION

I would like to dedicate this research project to my mother, brother, sister and wife to share with me my achievement in this research project as an appreciation to their encouragement and support.

Also, I would also like to dedicate this research project to the public who has participated in this research project and have given me valuable and supportive information to complete this research project.
## LIST OF ABBREVIATION AND ACRONYMY

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>DP</td>
<td>Deposit Product.</td>
</tr>
<tr>
<td>FDBP</td>
<td>Financing Debt Base Product.</td>
</tr>
<tr>
<td>FEBP</td>
<td>Financing Equity Base Product.</td>
</tr>
<tr>
<td>FBP</td>
<td>Fee Base Product.</td>
</tr>
<tr>
<td>IB</td>
<td>Islamic Bank.</td>
</tr>
<tr>
<td>IBS</td>
<td>Islamic Banking System.</td>
</tr>
<tr>
<td>PBZ</td>
<td>Pupils Bank of Zanzibar.</td>
</tr>
<tr>
<td>PBZIB</td>
<td>Pupils Bank of Zanzibar Islamic Bank.</td>
</tr>
<tr>
<td>ZWUR</td>
<td>Zanzibar West Urban Region.</td>
</tr>
</tbody>
</table>
ABSTRACT

The purpose of this research is to examine the effectiveness of Islamic banking system in promoting customer satisfaction. Islamic banking is facing some great challenges in Zanzibar because the financial system is more favorable to conventional banking. Islamic banks have to compete with its rival, conventional banks which have longer history than Islamic banks. For this competition, Islamic banks have to know the awareness, understanding and perceptions of public in Zanzibar towards it. Specifically, the study was set in order to meet three objectives, namely; to explore the leading factors affecting the customer satisfaction of PBZ Islamic bank. To determine the important elements of effectiveness of PBZ Islamic bank in predicting customer satisfaction an to compare the assessment of customer satisfaction by employee of PBZ Islamic bank and its customers.

The study was conducted in Zanzibar at The PBZ Islamic Bank using multiple embedded case study design where two units of study were involved. Data were gathered using questionnaires for customers and employees and documentary review. Data were then analyzed using quantitative and qualitative methods.

The study found out that in Zanzibar public have good perception about Islamic banking, they are well understand about Islamic banking system and operation but awareness about specific products which are offered by the Islamic banking is not very clear to public in Zanzibar, as a result these three factors (perception, understanding and awareness) have high extent to promote customers satisfactions from that the Islamic Banking institution needs to educate the public toward Islamic financial products and service providers also has to improve their information system within the communities and also Islamic banking institution needs to work hard for survival and compete with conventional banking system in the sector of regulations and supervisions.

On the other hand, it was revealed from the study that The PBZ Islamic Bank are effective in term of service quality in such a way that, the dimensions of service quality which are; assurance, reliability, responsiveness, empathy and tangibility has given positive result except for empathy and ATM services which have not given a positive result.

Finally, the study recommends various strategies that can be employed to improve customer’s satisfactions. Such strategies are; Islamic banks need to hire qualified financial engineers and scholars to improve the system and knowledgeable in Islamic Banking. Also they need to invest in teaching and training to existence staff to improve their knowledge and up to date according to current situation. This will improve customer services and helpful to promote customers satisfaction.
# TABLE OF CONTENT

<table>
<thead>
<tr>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>CERTIFICATION ................................................................. i</td>
</tr>
<tr>
<td>DECLARATION AND COPYRIGHT ........................................... ii</td>
</tr>
<tr>
<td>ACKNOWLEDGEMENT ............................................................... iii</td>
</tr>
<tr>
<td>DEDICATION ................................................................ iv</td>
</tr>
<tr>
<td>LIST OF ABBREVIATION AND ACRONYMY ..................................... v</td>
</tr>
<tr>
<td>ABSTRACT ........................................................................... vi</td>
</tr>
<tr>
<td>TABLE OF CONTENT ............................................................... vii</td>
</tr>
<tr>
<td>LIST OF TABLES ................................................................... x</td>
</tr>
<tr>
<td>LIST OF FIGURES ................................................................... xii</td>
</tr>
</tbody>
</table>

## CHAPTER ONE

INTRODUCTION AND BACKGROUND OF THE STUDY ....................... 1

1.1 Introduction ........................................................................... 1
1.2 Background Information ....................................................... 1
1.3 Statement of the Problem ....................................................... 2
1.4 Significance of the Study ....................................................... 4
1.5 Objectives of the Study ......................................................... 4
1.6 Research Questions ............................................................. 5
1.7 Scope of the Study ............................................................... 5
1.8 Limitation of the Study ......................................................... 5
1.9 Delimitations ..................................................................... 6

## CHAPTER TWO

LITERATURE REVIEW ............................................................... 8

2.1 Introduction .......................................................................... 8
2.2 Conceptual Framework ......................................................... 8
2.2.2 Dependent Variables ......................................................... 9
2.2.3 Research Framework ....................................................... 10
2.3 Theoretical Literature Review ............................................. 10
2.3.1 Islamic Banking and its Principles ................................ 10
2.3.2 Islamic Banking Products .............................................. 13
2.3.3 Service Concept ............................................................ 16
2.3.4 Quality Concept ........................................................... 17
2.3.5 Service Quality ............................................................ 18
2.3.6 Customer Satisfaction .................................................. 18
2.4 Empirical Literature Review .............................................. 19
2.4.1 Perceptions of Islamic Banking Products and Services .... 19
2.4.2 Awareness of Islamic Banking Products and Services ....... 20
2.4.3 Understanding of Islamic Banking Products and Services . 21
2.4.5 Service Quality ............................................................ 22
2.4.6 Customer Awareness and Satisfaction ............................ 24
CHAPTER THREE ........................................................................................................... 27
RESEARCH METHODOLOGY ................................................................................. 27
3.1 Introduction .......................................................................................................... 27
3.2 Research Design ................................................................................................. 27
3.3 Study Population ................................................................................................. 28
3.4 Sample and Sample size ...................................................................................... 28
3.5 Sampling Technique ............................................................................................ 29
3.6 Data Collection Methods ..................................................................................... 30
3.7 Data Analysis techniques ..................................................................................... 33

CHAPTER FOUR ............................................................................................................. 34
PRESENTATION OF RESEARCH FINDINGS, ANALYSIS AND
DISCUSSIONS ........................................................................................................... 34
4.1 Introduction .......................................................................................................... 34
4.1.1 Profile of Respondent ..................................................................................... 34
4.1.2 Composition of the Respondents ...................................................................... 34
4.2.3 Gender Distribution of the Respondents ......................................................... 35
4.2.3 Age of the Respondents .................................................................................. 36
4.2.4 Educational Level of the Respondents ............................................................ 38
4.2.5 Respondents Experience in Using Islamic Bank ............................................. 39
4.3 Factors Affecting Customers Satisfaction of the PBZ Islamic Bank .......... 40
4.3.1 Awareness level Toward Islamic Banking in Zanzibar ................................. 41
4.3.2 Awareness Level toward Islamic Banking Product and Services ............... 42
4.3.2 Perception toward Islamic Banking in Zanzibar ............................................ 45
4.3.3 Understanding Level toward Islamic Banking System and Operation ... 46
4.3.4 Discussion on the Findings ............................................................................. 47
4.4 Effectiveness of Islamic Banking System .......................................................... 47
4.4.1 Assurance ....................................................................................................... 47
4.4.2 Reliability to give promised Service ............................................................... 48
4.4.3 Responsiveness – Showing Interest to Help Customers and Provide Prompt Services................................................................. 49
4.4.4 Empathy – The Ability to Understand and Share the Feelings of Customers ................................................................. 50
4.4.5 Tangibility - Physical Attributes ..................................................................... 51
4.4.7 Discussion on the Findings ............................................................................. 53
4.5 Assessment of Customer Satisfaction ................................................................. 54
4.5.1 Awareness level Toward Islamic Banking in Zanzibar ................................. 54
4.5.2 Awareness Level toward Islamic Banking Product and Services ............... 55
4.5.3 Perception toward Islamic Banking in Zanzibar ............................................ 59
4.5.4 Understanding Level toward Islamic Banking System and Operation ... 60
4.5.5 Discussion on the Findings ............................................................................. 62

CHAPTER FIVE .............................................................................................................. 63
CONCLUSION AND RECOMMENDATION ............................................................ 63
5.1 Introduction .......................................................................................................... 63
5.2 Summary of the Study ......................................................................................... 63
5.2.1 Awareness level Toward Islamic Banking in Zanzibar .................................. 63
5.2.2 Awareness Level toward Islamic Banking Product and Services ........ 63
5.2.3 Perception toward Islamic Banking in Zanzibar ......................... 64
5.2.4 Understanding Level toward Islamic Banking System and Operation ... 65
5.2.5 Effectiveness of Islamic Banking System ........................................ 65
5.3 Conclusion .......................................................................................... 66
5.4 Recommendations of the Study ......................................................... 67

REFERENCES .......................................................................................... 69

APPENDICES ............................................................................................ 72

Appendix 1: QUESTIONNAIRE FOR CUSTOMERS OF PUPILS BANK OF ZANZIBAR ISLAMIC BANK (THE PBZ ISLAMIC BANK) .... 72
Appendix 2: QUESTIONNAIRE FOR EMPLOYEE OF PUPILS BANK OF ZANZIBAR ISLAMIC BANK (THE PBZ ISLAMIC BANK) .... 77
## LIST OF TABLES

<table>
<thead>
<tr>
<th>Table</th>
<th>Title</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Table 3.1:</td>
<td>Area of Study and Sample Size</td>
<td>29</td>
</tr>
<tr>
<td>Table 4.1:</td>
<td>Composition of the Respondents</td>
<td>34</td>
</tr>
<tr>
<td>Table 4.2:</td>
<td>Gender Distribution of the Respondents</td>
<td>36</td>
</tr>
<tr>
<td>Table 4.3:</td>
<td>Age Distribution of the Respondents</td>
<td>37</td>
</tr>
<tr>
<td>Table 4.4:</td>
<td>Educational Level of the Respondents</td>
<td>38</td>
</tr>
<tr>
<td>Table 4.5:</td>
<td>Experience of the Respondents</td>
<td>40</td>
</tr>
<tr>
<td>Table 4.6:</td>
<td>General Awareness Level of Customers</td>
<td>41</td>
</tr>
<tr>
<td>Table 4.7a:</td>
<td>Awareness level of Deposit Products</td>
<td>42</td>
</tr>
<tr>
<td>Table 4.7b:</td>
<td>Awareness level of Financing Product (Equity Based)</td>
<td>43</td>
</tr>
<tr>
<td>Table 4.7c:</td>
<td>Awareness level of Financing Products (Debt Based) I</td>
<td>43</td>
</tr>
<tr>
<td>Table 4.7d:</td>
<td>Awareness Level of Financing Products (Debt Based) II</td>
<td>44</td>
</tr>
<tr>
<td>Table 4.7e:</td>
<td>Awareness Level of Fee Based Products</td>
<td>44</td>
</tr>
<tr>
<td>Table 4.8:</td>
<td>Perceptions of Customers toward Islamic Banking</td>
<td>45</td>
</tr>
<tr>
<td>Table 4.9:</td>
<td>Understanding Level of Customers toward Islamic Banking System and Operation</td>
<td>46</td>
</tr>
<tr>
<td>Table 4.10:</td>
<td>Customers Satisfaction on Assurance Service</td>
<td>48</td>
</tr>
<tr>
<td>Table 4.11:</td>
<td>Customers Satisfaction on Reliability Service</td>
<td>49</td>
</tr>
<tr>
<td>Table 4.12:</td>
<td>Customers Satisfaction on Responsiveness Service</td>
<td>50</td>
</tr>
<tr>
<td>Table 4.13:</td>
<td>Customers Satisfaction on Empathy</td>
<td>51</td>
</tr>
<tr>
<td>Table 4.14(a):</td>
<td>Customers Satisfaction about General Physical Attribute</td>
<td>52</td>
</tr>
<tr>
<td>Table 4.14(b):</td>
<td>Customers Satisfaction on ATM</td>
<td>53</td>
</tr>
<tr>
<td>Table 4.15a:</td>
<td>Awareness level of the respondents on Deposit Products</td>
<td>55</td>
</tr>
<tr>
<td>Table 4.15(b):</td>
<td>Awareness level of the respondents on Financing Products (Equity based)</td>
<td>56</td>
</tr>
<tr>
<td>Table 4.15c:</td>
<td>Awareness level of the respondents on Financing Products (Debt Based) I</td>
<td>56</td>
</tr>
<tr>
<td>Table 4.15d:</td>
<td>Awareness level of the respondents on Financing Products (Debt Based) II</td>
<td>57</td>
</tr>
<tr>
<td>Table 4.15e:</td>
<td>Awareness level of the Respondents on Fee Based Product</td>
<td>57</td>
</tr>
</tbody>
</table>
Table 4.16: Perception of the respondents toward Islamic Banking .................. 60
Table 4.17: Understanding Level of respondents toward Islamic Banking system and Operation ................................................................. 61
**LIST OF FIGURES**

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Figure 2.1:</td>
<td>Relations between Variables</td>
<td>10</td>
</tr>
<tr>
<td>Figure 2.2:</td>
<td>Relations of Service Quality and Customer Satisfaction</td>
<td>23</td>
</tr>
<tr>
<td>Figure 4.1:</td>
<td>Compositions of the Respondents</td>
<td>35</td>
</tr>
<tr>
<td>Figure 4.3:</td>
<td>Age Distribution of the Respondents</td>
<td>37</td>
</tr>
<tr>
<td>Figure 4.4:</td>
<td>Educational Levels of the Respondents</td>
<td>39</td>
</tr>
<tr>
<td>Figure 4.5:</td>
<td>Experiences of Respondents</td>
<td>40</td>
</tr>
<tr>
<td>Figure 4.6:</td>
<td>General Awareness Levels</td>
<td>41</td>
</tr>
<tr>
<td>Figure 4.8:</td>
<td>Customers Satisfaction on Assurance Service</td>
<td>48</td>
</tr>
<tr>
<td>Figure 4.9:</td>
<td>Customers Satisfaction on Reliability Service</td>
<td>49</td>
</tr>
<tr>
<td>Figure 4.10:</td>
<td>Customers Satisfaction on Responsiveness Service</td>
<td>50</td>
</tr>
<tr>
<td>Figure 4.11:</td>
<td>Customers Satisfaction on Empathy Service</td>
<td>51</td>
</tr>
<tr>
<td>Figure 4.12 (a):</td>
<td>Customers Satisfaction on General Physical Attribute</td>
<td>52</td>
</tr>
<tr>
<td>Figure 4.12 (b):</td>
<td>Customers Satisfaction on ATM Services</td>
<td>53</td>
</tr>
<tr>
<td>Figure 4.13(a):</td>
<td>Employee's opinion about their customers on awareness level toward Islamic Banking Product and services</td>
<td>58</td>
</tr>
<tr>
<td>Figure 4.13(b):</td>
<td>Customer's Awareness Level toward Islamic Banking Product and Services</td>
<td>58</td>
</tr>
</tbody>
</table>
CHAPTER ONE

INTRODUCTION AND BACKGROUND OF THE STUDY

1.1 Introduction
This chapter discusses the following sections; 1.1 the introduction of the study. The background to the study is provided in Section 1.2; the problem is stated in Section 1.3; significances of the study is in 1.4; objective of the study 1.5., Section 1.6 research questions. Scope of the study is in 1.7, 1.8 limitation of the study and 1.9 delimitation of the study.

1.2 Background Information
A bank is a financial institution and a financial intermediary that accepts deposits and channels those deposits into lending activities, either directly by loaning or indirectly through capital markets. A bank links together customers that have capital deficits and customers with capital surpluses. (The free encyclopedia July 2009)

On the other hand the term Islamic banking refers to a banking activity or a system of banking that is in consonance with the basic principles of Islamic Sheriah (rules and values set by Islam). Islamic banking is also known as interest free banking system as the Shariah disallows the acceptance of “Riba” or interest rate for the accepting and lending of money.

Islamic banking has the same purpose as conventional banking: to make money for the banking institute by lending out capital. But that is not the sole purpose either. Adherence to Islamic law and ensuring fair play is also at the core of Islamic banking. Because Islam forbids simply lending out money at interest, Islamic rules on transactions (known as Fiqh al-Muamalat) have been created to prevent it. The basic principle of Islamic banking is based on risk-sharing which is a component of trade rather than risk-transfer which is seen in conventional banking.

It is a system that provides its product and service to everyone irrespective of religious belief, wealth, ethnicity caste or creed. The more general term is expected
not only to avoid interest base transactions, prohibited in the Islamic *Shariah*, but also to avoid unethical practices which have bad effect to customers and participate actively in achieving the goals and objectives of an Islamic economy.

Islamic *Sheriah* allows all economic activities in the framework of protecting public interest and safeguarding it. The root of Islamic banking system is to work according to *Sheriah* Law which states that interest is totally prohibited in Islam because interest has lot of bad effects on society such as their earning capacity, purchasing power and increase poverty, unequal distribution of wealth and credit crisis in an economy.

The principle goals and functions of Islamic banking system include economic well-being with full employment and maximum rate of economic growth, equal distribution of income and wealth as a result socio economic justice, and the generation of sufficient savings and their productive mobilization and stability in the value of money. (Chapra 2000)

Islamic banking aim to lay the foundations of an ethical and fair financial system which base on two basic principles, the sharing of profit and loss and significantly; it prohibits the collection of interest which not permitted under Islamic Law and this is the reason that consequently affected the customer satisfaction of the market it is implemented in.

For these reasons customers start to migrate from conventional to Islamic banking and for those who were not use bank at all start to use this system, although some of they use both system they do not totally migrate. As indicated above interest factor comes out to be the main reason for the customer to switch to Islamic banking. However, the growth of Islamic banking has not created a balanced customer awareness and satisfaction among the masses.

1.3 Statement of the Problem
With comparison of conventional banking system, Islamic banking system is a relatively a very new concept, but it has shown a spectacular growth in the past few years. It is expected that profit and loss sharing mechanism in Islamic finance will significantly remove the inequitable distribution of income and wealth. As a result, it may lead to a more efficient and optimal allocation of resources as compared to the interest-based system. Thus, it will ensure justice between the parties involved as the return to the bank on finance is dependent on the operational results of the entrepreneur (Siddiqi, 2001).

The fact of this system is very far from customer perception that is, the way that customers usually recognize and interpret about certain service or product; Islamic banking system are in an evolutionary and transitory phase they are struggling against conventional banking and non banking financial institutions. To survive in this strategic rivalry, Islamic banks must understand and use customer satisfaction issues under existing privileges given by Islamic Shariah (McLver and Naylor, 1986).

In seminar Director Islamic banking State Banka of Pakistan; (Saleemullah 2010) said that“‘The biggest challenge to promote Islamic Banking in the country is the lack of awareness about Islamic banking concept among general public. He further stated that the stakeholders including bankers and practitioners must play their due role in promotion of Islamic Banking products. We need to removeconfusion about some concept of Islamic banking among masses for which awareness need to be promoted’”

Since about 98% of the population of Zanzibar is Muslim and most of them are not using bank because of the element of interest so, The Pupil's Bank of Zanzibar (The PBZ) has established the Islamic banking which operates under Islamic banking system in order to promote customer satisfaction. The growth of the PBZ Islamic bank is growing every now and then, but the growth does not match with the customer awareness and satisfaction. This is due to the fact that it is a new concept, customers or people are not aware of it as well as its product and services. As a result the system is not fully utilized in such a way that more product and services are not
yet produced due to the lack of customers who have skills and experience in entrepreneurship.

With Islamic financing, the need to assess clients' acceptability is more important than it is for conventional banks. The bank needs to be vigilant and prudent by concentrating on the client's integrity as well as his status regarding property and particularly his willingness to comply with Sheriah-compliant contracts.

Zanzibar is in a developing economics and The PBZ Islamic Banking (The PBZIB) as a government financial institution which operate under Islamic banking system (IBS) and it is not limited to supports business or commercial duties but also it has social obligation towards society. It plays an important role in social economic development. Following this, it is argued that the increasing perception of service quality and product quality of The PBZIB will increase customer awareness, which finally increases satisfaction.

This study therefore is an attempt to assess the effectiveness of Islamic banking system on promoting customer satisfaction.

### 1.4 Significance of the Study

This study has got knowledge and policy contribution and managerial implication. Findings of this study will promote the understanding of the effectiveness of the IBS on promoting customer satisfaction by introduction of the factors that promote to the effectiveness of IBS and presenting challenges that hinder the successful of customer satisfaction. Also it can be used as an initiation for those who are interested to conduct a detail and comprehensive study regarding the IBS in Zanzibar. Furthermore, the finding will help Islamic banks managers to focus on the service quality which can bust the customer awareness and satisfaction of the Islamic banking sector as whole as interest (*Riba*) might not sustain in the long run as a single largest factor for growth.

### 1.5 Objectives of the Study
Main objective
The overall objective of the study was to examine the effectiveness of Islamic banking system in promoting customer satisfaction.

Specific objectives
In order to meet the stated broad objective, the study intended to achieve the following specific objectives;
(i.) To explore the leading factors affecting the customer satisfaction of PBZ Islamic bank.
(ii.) To determine the important elements of effectiveness of PBZ Islamic bank in predicting customer satisfaction.
(iii.) To compare the assessment of customer satisfaction by employee of PBZ Islamic bank and its customers.

1.6 Research Questions
(i.) What are the leading factors affecting the customer satisfaction of PBZ Islamic bank?
(ii.) What are the important elements of effectiveness of PBZ Islamic bank in predicting customer satisfaction?
(iii.) Is the assessment of customer satisfaction by employee of PBZ Islamic bank statistically different from that of its customers?

1.7 Scope of the Study
This study was intended to The PBZIB which is a Government financial institution, which is not limited to supports business or commercial duties but also it has social obligation towards society. It plays an important role in social economic development. The area of the study was at The PBZIB head office at Zanzibar (MPIRANI, ZIC Building), The PBZIB branch at Mwanakwerekwe Unguja and customers from ZanzibarWest Urban Region(ZWUR).

1.8 Limitation of the Study
Experience of other researchers indicates that, limitation in most studies is related to resources allocation, non availability of sufficient information and also time allocated for research report to submit in the institution.

Some of the staffs will consider filling the questionnaires as being irrelevant or insignificant to them. As a result they may not complete the questionnaire appropriately or at time basis.

The research need an enough time taken in order to get proper information for presentation, there is limited time given to and it may be barrier in preparation of research paper.

Data confidentiality, most of the information's are too confidential to be disclosed by the management. The management officials failed to provide some information which is necessary in fear of revealing their weaknesses. Therefore the researcher worked honestly with management after they satisfied with the purpose of data for research on hand and the researcher provided with data necessary, though not all.

1.9 Delimitations

Despite the limitations, the researcher was able to obtain the required information. Under this study the delimitation involved, the methods of data collection, processes, analysis and interpretation. In data collection the researcher will use questionnaires, interviews and focused group discussions

Documentary sources is also to be used to obtain the missing information, and in some cases, information will be obtained through questionnaire instrument is to be used to complement information.

The researcher was tried to meet those limitations by assuring those officers treat the required information as confidential, that the information is only used to the research and not otherwise.
Moreover, financial constrain as a limiting factor which limited the researcher from not being able to visit all The PBZIB branches, the available documentary sources in form of reports, journals available at the sited of The PBZIB was used. In this case, studying a smaller area in size, but rich in information is cost effective and time serving.

Although some respondents are reluctant to provide some information, some are interested in the study area, and this was help the researcher to manage and obtain the required information.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction
This chapter presents various studies from different sources, on how others examine and understand (particularly or related) effectiveness of Islamic Bank in promoting customer satisfaction. This is the process of identifying and involving the particular study with established theories and previously published researches. The chapter aims to provide researchers with knowledge, together with other readers on the need to check the effectiveness of Islamic Bank in promoting customer satisfaction.

This part dealt with different reviews from other researcher’s ideas in relation to the topic of this proposal in order to identify existing literature materials which will form the basis for further research in terms of data collection and analysis.

2.2 Conceptual Framework
A conceptual framework is used in research to outline possible courses of action or to present a preferred approach to an idea or thought. A framework can help us to explain why we are doing a project in a particular way. It can also help us to understand and use the ideas of others who have done similar works. We can use a framework like a travel map. We can read a map, because others before us have come up with common symbols to mark streets, lakes, highways, cities, mountains and rivers. The scale on a map tells us how far apart different places are, so we will get an idea how long it might take us to get from one point to the next. A map also shows us that there may be many different paths that can be taken to get to the same place.

A framework can help us decide and explain the route we are taking: why would we use certain methods and not others to get to a certain point. People might have tried a similar path before and have had different experiences using one road versus another.
Or, there may be paths that have never been explored. With a conceptual framework, we can explain why we would try this or that path, based on the experiences of others, and on what we ourselves would like to explore or discover.

Conceptual frameworks (theoretical frameworks) are a type of intermediate theory that attempt to connect to all aspects of inquiry (e.g., problem definition, purpose, literature review, methodology, data collection and analysis). Conceptual frameworks can act like maps that give coherence to empirical inquiry. Because conceptual frameworks are potentially so close to empirical inquiry, they take different forms depending upon the research question or problem.

2.2.1 Independent Variable
An independent variable is one that influences the dependent variables in either a positive or negative way. That is when the independent variable is present the dependent variable is also present and with each unit of increase in the independent variable there is an increase or decrease in the dependent variable also. In other words the variance in the dependent variable is accounted for by the independent variable. To establish causal relationship the independent variable is manipulated (Kothari, 2004, Saunders et al, 2007).

In this research the independent variable is Islamic banking system because the changes or improvement of the system contributes to the change in customer satisfaction.

2.2.2 Dependent Variables
In this research the dependent variable is customer satisfaction. This means that the variation of customer satisfaction is caused by the changes or improvement of the system. The dependent variable is the variable of the primary interest to the researcher. The researcher’s goal is to understand and describe the dependent variable, or to explain its variability to predict it. In other words it is the main variable that lends itself for investigation as a viable factor. Through the analysis of the dependent variable it is possible to find answers or solutions to the problem. For
this purpose the researcher will be interested in quantifying and measuring the dependent variable as well as the other variables that influence this variable.

### 2.2.3 Research Framework

A research framework was constructed and formulated. The present paper identifies three variables in Islamic banking system that influences satisfaction, namely awareness, service quality and product quality. Based on the literature review, consumer awareness is the direct predictor variable, while service quality and product qualities are the indirect predictor variables. The relationship between these variables is illustrated in Figure 2.1

**Figure 2.1: Relations between Variables**

![Diagram showing the relationship between variables: Awareness affects both Service Quality and Quality of Product, which together influence Consumer Satisfaction.]

Source: Asian Journal of Business and Management Sciences ISSN: 2047-2528 Vol. 2 No. 10 [38-50]

### 2.3 Theoretical Literature Review

#### 2.3.1 Islamic Banking and its Principles

As defined, Islamic Banks aim to provide banking services that are in accordance with Islamic Principles and *Shariah* within the complete Islamic financial system, which in turn aims to bring the most benefit to society in terms of equity and prosperity, rather than focusing solely on creating maximum returns on capital (Zaher and Hassan, 2001: 158). Islamic banks aim to achieve the socio-economic...
goals of the Islamic religion which are reaching full-employment, a high rate of economic growth, equitable distribution of wealth and income, socioeconomic justice, smooth mobilization of investments and savings while ensuring a fair return for all parties and finally emphasizes the stability of money value (Hassan and Mervyn, 2007: 2; Chapra, 1995: 37, 38).

Islamic Banking is interest free asset backed banking governed by the principles of Islamic laws, i.e. the bank’s entire operation and have to comply with Shariah.

According to Khir et al. (2008), Islamic Banking is the conduct of banking based on Sheiriah principles and does not allow the existence of interest in its operations while promoting profit-sharing. Its purpose is the same as conventional banking except that it must comply with the Sheiriah law. According to (Keong Lee Ling, Khor May Ling, Low Sheau Pey and Wong Zi Hui, April 2012), the principles for Islamic banking are as follows:

(i.) The first key principle of Islamic banking is the principle of sharing of profit and loss (equity participation). Islam encourages Muslims to invest their money and to become partners in order to share profits and risks in the business instead of becoming creditors. In Islam, profit is the recognized reward for capital. A depositor in an Islamic bank can therefore make earnings on his or her deposit in several ways. First, through return on his capital; through sharing of profit when his capital is part of the capital that is employed in a partnership, and finally through rental earnings on an asset that has been partially financed by his capital.

(ii.) The second key principle of Islamic banking is principle of prohibition of Riba. It is considered as haram (non-permissible). In the Islamic terminology, interest means —effortless profit or profit that increases the principal amount without putting any effort. Any predetermined payment over and above the actual amount of principal is prohibited.
Examples of verses in the Qur-an that gives strong verdict against riba are as follows:
—Those who devour riba will not stand except as one whom the devil hath driven to madness by [his] touch [2:275].

(iii.) The third key principle of Islamic banking is the Shariah-approved activities. In Islamic banking, investments should not support practices or yield that are forbidden - or even discouraged - by Islam. Islamic banking operates in accordance with the rules of Shariah, under Islamic trading transactions. Islamic banking is restricted to islamically acceptable transactions, which exclude those involving alcohol, pork, gambling. For example a real-estate loan could not be made for the construction of a Wine bar or nightclub.

(iv.) The fourth key principle is principle of money as potential capital. Making money from money is prohibited and money is only a medium of exchange. The use of money to gain interest is forbidden and money cannot be simply traded for money and therefore money can be used to buy goods or services, which can then be sold for a profit. Hoarding of money is considered as haram.

(v.) e) The fifth principle of Islamic banking is the principle of certainty. This principle states that uncertainty, risk or speculation is also prohibited in Islamic banking. Therefore, options and futures are considered as un-Islamic and so are forward foreign exchange transactions because rates are determined by interest differentials. However, minor uncertainties can be permitted when it is necessary.

(vi.) f) The last principle is the sanctity of contracts. In Islam, contractual obligations and the disclosure of information is an utmost important duty. This principle aims to reduce the risk of asymmetric information and moral hazard problem. The contracting parties should know the products that intended to be exchanged well.
2.3.2 Islamic Banking Products

Al-wadiah
It is known as deposit. The deposit can be in savings account, current account, fixed deposit account etc. The depositors of money by contract allow the bank to invest the money in business. If there is some profit, it is distributed among the depositors based on the proportion of money deposited (CERT, 2006). In al-wadiah transaction, the bank acts as the agent of the depositor. The bank is given full freedom to utilize the money without prior consultation with the depositor.

Murabahah
In murabahah transaction, Islamic bank buys goods or real property in accordance with the specifications of the customer and sells it to the customer with a mark-up profit. This is not interest transaction as the bank is not giving loan to the customer. It is just selling goods to the customer with profit. The customer is given an option either to pay in one lump sum or by installments (Ahmed, 1989; Khan, 1992).

Bai Bisaman Ajil
In bai bisaman ajil transaction, Islamic bank sells goods or real property to a customer with deferred payment facility usually by installments. So, in bai bisaman ajil transaction the buyer gets delivery of goods immediately but pays the price in future as a lump sum or by installments.
Bai bisaman ajil helps a buyer to procure goods he needs when he does not have the cash to buy it. Thus, this kind of transaction is very much beneficial to a buyer who does not have cash money (Cizaka, 1995; Rosley, 2005).

Bai Salam
In bai salam transaction, Islamic bank may buy certain goods from a seller with a condition that the payment should be made immediately but the delivery of the goods would be made in future. As payment is made in advance, the buyer can buy the goods with cheaper price. So, he can make profit by selling the goods after its delivery under the bai salam contract (Nasir, M. et al, 2008). Islamic bank may make another contract after making the bai salam contract which is known as parallel
Salam contract. In parallel salam contract, the Islamic bank may make a parallel contract with another buyer to sell the goods it is going to buy in future under the bai salam contract.

**Mudarabah**

This is a type of transaction whereby one person provides capital for business and another person agrees to provide business skill to invest the money in business. So, one party provides capital and other party does business with the capital. The person provides capital is known as sahibul maal and the person does business with the money is known as mudarib (entrepreneur). The capital provider and the entrepreneur share profits and loss in the business based on agreed ratio. In mudarabah transaction the capital provider does not participate in the business management but he supervises the business time to time by giving instructions to the mudarib (entrepreneur) (Nik Norzul et al, 2003).

The fixed deposit money or investment money in the bank can be reinvested in business under Mudarabah transaction where the bank will act as mudarib and the clients who have invested the money to the bank act as sahibul maal. If there is profit, it will be divided among the sahibul maal and the mudarib in ratio agreed by them (Siddiqi, 1983).

**Musharakah**

In musharakah (partnership) transaction, two or more persons provide capital for business and they share the profit or loss based on the portion of capital provided. It is not necessary that all partners should participate directly in the management of the business. Some of the partners can actively take part in the management of the business and other partners may remain as sleeping partners. The sleeping partners may supervise the business activities from time to time and can provide instructions to the active partners to conduct business effectively and efficiently. They also can follow-up the progress in business without being actively involved in the business management. The partners who actively participate in the business management are
usually paid monthly salary other than profit in the business. Islamic bank can take part in musharakah business by investing some of its equity capital.

**Ijarah**

Ijarah transaction is known as rental or lease contract. In ijarah transaction the owner of a good (leasor) rents the goods to another person for payment. The other person is known as hirer or lessee. So, there are two parties in this transaction known as the owner of goods (leasor) and the hirer (lessee).

**Ijarah Muntahia Bittamlik**

Ijarah muntahia bittamlik is a hire-purchase contract. In this type of transaction the hirer hires goods or real property for periodical rents and at the end of rental period he has an option to buy the goods. In ijarah muntahia bittamlik, the ownership in the goods initially does not pass to the hirer; the ownership only passes when the goods are sold to the hirer at the end of the hired period or any time during the hired period. When the goods are sold to the hirer, the sale should be evidenced in a separate sale contract.

**Ujrah**

Ujrah is a service providing contract whereby an agreement is made between two parties. One party agrees to provide certain services (known as service provider) to other party and the other party (known as service receiver) agrees to pay for the services provided. The contract must specify the nature of the services provided, how long it will be provided and how much royalty to be paid for the services. Islamic banks may make an ujrah contract to provide some services to another person for payment (Nasir, M. et al, 2008).

**Al-qardul Hasan**

Al-qardul hasan is benevolent loan given to a needy person for a fixed period of time. Shariah prohibits taking interest or any other benefit from loan given. It encourages people to give qard al-hasan to a needy person with an intention to help them. In the society we live in we should help each other without taking any wage or
exchange for the help. It is known as benevolent help. Qard al-hasn is a type of benevolent loan designed to help a neighbour or relative for a fixed period of time (Wordiq, online, n.d.). At the end of the period predetermined for the loan, the borrower must return the loan amount to the lender. The lender cannot ask for any extra money (known as interest) for the loan, he can claim back only the principal amount lent and nothing else. However, if the borrower gives a reward to the lender being happy with him for the help, probably the lender can receive it.

2.3.3 Service Concept

Production services are essentially intangible benefit, or as a unique product or an important element of tangible products that will have by way of exchange of customer known needs (Palmer and Cole, 1995).

Service is activity or benefit that one party gives to other party that is essentially intangible and doesn’t have anything in the property. The result may be a physical product or intangible (Kotler & Armestrang, 2000).

Service is a process consisting of a series of more or less intangible activities that naturally, but not necessarily constant in the interaction between customer and workers and physical resources or goods and or service providers systems occurred to the solution to the problems in customers (Gronroos, 2001).

Because of the variety of services, their definition is always difficult. What makes it more complicated is the fact that most of the data and outputs the intangible, often not easy to understand and identify ways to do and delivering of services (Lovelock; Lauren, 2003).

Service word has extent and a wide variety of meanings and this feature has led to a lot of ambiguity in the concept of the administrative texts. Gronroos(2001) defines Service;” A service is an activity or series of activities of more or less intangible that usually, but not necessarily are done in the interaction between customer and service staff or physical resources or goods and services provided systems but as solutions to
customer problems”. Services are intangible products that in terms of customer have good value. Customer judge compared with service received from various companies or in comparison with expectations regarding service. Totally indicators of customer evaluations about service are such as accuracy, speed, security, compliance politeness, maintain friendship relationship, etc. customer satisfaction can be evaluate only measuring them (Al-Hawari et al,2009).

Services may be an idea, something exciting, some information, and a change in the appearance or health of the client, creating a pleasant mental state, the work done in time and right place and feel safe. In other words, services are a package of obvious and hidden from advantages and interest that emerges by using facilitators’ things and facility and support equipment (Nouri & Radnavard, 2002).

"Philip Kotler ' services define activities or benefits of intangible, inseparable, variability, destructible. Because Before buying it cannot see, taste or touch, hear or smell. It can be argued in the case inseparable that unlike goods, services are first sold, and then produced and simultaneously with production consume. Regardless of whether the service provider be person or car, service not be separated from its providers.

About variability it can be said that because the quality of service is depends on provided person, time, place and the serving motion and even a person may be in two different times can provide different services, so we can say variability is one of the characteristic of service. Also services are destructible and in time providing they consume. So it cannot be stored like goods or be stored for later use, so in answer to the demand may occur disruptions.

2.3.4 Quality Concept
Quality is words of common and familiar that has various definitions but common to all these definitions is (goods or services consistent with the needs and expectations of customers). The quality start from customer and attention to goods or service without any attention to customer opinion, does not necessarily lead to quality.
Therefore quality is define usually based on the product adjustment with customer desired features, or the extent to which a product can provide the customer prior expectations (Johnson and Nilson, 2003). In the past, customers was looking for a goods of cheap, fast, comfortable and with good quality but now customers are looking for a goods of cheap, fast, comfortable, good quality plus value added a special utility. Quality of a product is matched with customer expectations and specification. Service quality is one of the indicators of effectiveness. Quality is in order to meet the needs and expectations of customers and controlling the variability of service offered to the customers.

2.3.5 Service Quality
Quality consists of two primary elements: (1) either a product satisfies the needs or (2) up to which level it is free from deficiencies (Juran, 1988). Service is kind of performance that is offered by one party to another and in corporeality is a must part of it (kotler&keller, 2006). Services are defined by some characteristics like services are incorporeal in nature; we cannot measure the service by some instrument. Services are said to be inseparable that is production and consumption usually takes place at the same time. Moreover services are variable in nature; they don’t follow a same or some kind of linear pattern. Very often polymorphism is also seen in services as services are simple as well as complex. (Ograjenšek, 2008).

2.3.6 Customer Satisfaction
Customer satisfaction is a well-known, established concept in such areas as marketing, consumer research, economic psychology, and welfare and general economics. The most common interpretations obtained from various authors note that satisfaction is a feeling that results from a process of evaluating what has been received against what was expected, including the purchase decision itself and the needs and wants associated with the purchase (Armstrong & Kotler, 1996; Oliver, 1997).
Bitner & Zeithaml (2003) stated that satisfaction is the customers’ evaluation of a product or service in terms of whether that product or service has met their needs and expectations.

Kessler (1999) noted that increasing satisfaction requires an understanding of what satisfaction is and how it is to be handled. This signifies that in order to increase satisfaction, we should understand its antecedent variables.

2.4 Empirical Literature Review

2.4.1 Perceptions of Islamic Banking Products and Services

In a study conducted by Lateh et al. (2009) examining the perception of the customers towards the objectives, characteristics and criteria of selecting Islamic bank, it was revealed that Thai customers perceived that there are no differences between the Islamic bank and the conventional bank products and services, except in the names used to highlight the Islamic Banking products.

A study in Indonesia has surveyed 1,047 respondents to determine their perception towards the characteristics of the Islamic bank. The findings revealed that a half of the respondents viewed that the main characteristic of the Islamic bank was profit distribution. In addition, many of them viewed that the Islamic bank was conducted according to the Islamic teachings (Bank Indonesia 2004). Another study was also conducted in Indonesia. According to Karim and Affif (n.d.), in Indonesia, beside the perception that an Islamic bank is a bank that operates under Islamic principles (including avoiding riba), other important perceptions are Islamic banks are meant for Islamic consumers only, limited facilities provided compared to conventional banks and do not have a huge customer base.

In addition, Ahmad and Haron (2002) have conducted a study on how the Malaysian corporate customers perceived of Islamic Banking. Their survey which consists of 45 respondents showed that Islamic banking products were not popular among corporate customers. Their studies also found that most of the respondents disagreed that the
Islamic banking products available in Malaysia were similar to the products of the conventional banks except that the Islamic banks used different names for those products.

In the study conducted by Thambiah et al. (2011) it shows that perception of urban banking customers on IRB are different with the rural banking customers, about perceived complexity, uncertainty, and observably.

2.4.2 Awareness of Islamic Banking Products and Services
Lateh, Ismail and Arrifin (2009), Khattak and Rehman (2010), Okumus (2005), Khan, Hassan and Syahid (2008) have similar results in their studies. Lateh et al. (2009) have conducted a research in Thailand that examining the perception of the customers towards the objectives, characteristics and criteria of selecting Islamic bank. In their study, it was found that most of the Thai customers were aware of the special characteristics of Islamic banking system and they are different from the conventional banking system, like the forbidden of interest. But, they have little awareness about the Islamic banking system products and services.

Khattak and Rehman (2010) and Okumus (2005) found out that the customer's awareness level towards Islamic banking products in Pakistan and Turkey is good in some of the general products like current accounts and time deposit account. However, for some of the Islamic financial products such as Murabahah and Ijarah, most of the customers are unaware of them. Khan et al. interested in examining the awareness and usage of various Islamic bank products and services among Islamic bank customers in Bangladesh. Their results show that there is a high level of customer awareness of some general products such as current account and saving account.

According to Thambiah, Eze, Santhapparaj, and Arumugam (2011), Islamic banking terms such as —Mudarabah, —Bai’Bithman Ajill, and —Ba Inahl are appeared to be less popular among the banking customers. The reason for low awareness and usage for individual borrowing products might due to Islamic banking products are
named in Arabic terms. On the other hand, Rammal and Zurbruegg (2006) intended to examine the awareness of Muslim Australians of Islamic banking, especially the demand for profit-and-loss sharing agreements. Their results show that generally there is a lack of awareness in regards to the basic rules and principles of Islamic financing. The results also indicate that a number of respondents would not take up halal financing options if credit facilities were taken away.

Rammal and Zurbruegg’s (2006) results are supported by Thambiah et. al. (2011) study which analyse the awareness on Islamic retail banking (IRB), between the urban and rural banking customers in Malaysia and their findings also show that generally there is a lack of awareness on IRB between the urban and rural banking customers. However, according to Run and Yeo (n.d.), non Muslims in Sarawak, Malaysia, are highly aware of Islamic Financing facilities. The difference in findings between Thambiah et. al(2011) and Run and Yeo might due to Thambiah et. al(2011) conducted their studies in the West Malaysia while Run and Yeo (n.d.) conducted their study in East Malaysia.

2.4.3 Understanding of Islamic Banking Products and Services

In Indonesia, the awareness of Islamic Banking is quite high but the understanding about Islamic Banks is still not sufficient (Karim and Affif , n.d.). According to Rammal and Zurbruegg (2006), some respondents who had held a halal banking product were not even aware of the profit and loss sharing concept. This show that they do not understand about the concept of their products and this would also indicate that some financial institutions have been guaranteeing profits. This was against the Sheriah principles as gains made on investment without risk is merely interest rather than profit.

Bley and Kuehn’s (2004) study in UAE also showed that Muslim students are more interested and knowledgeable in Islamic banking as compared to non- Muslims. This was also supported by Ahmad and Haron (2002), their study on Malaysia corporate customers revealed that providers of Islamic banking products and services have not done enough in educating customers and marketing their products. As an example,
more than 65 percent of the respondents indicated they had limited knowledge in Islamic banking system.

Loo’s (2010) study in Malaysia shows that the non Muslims still could not understand the concept of Islamic banking even though there are a lot of advertising campaigns that targeted at them. However, for Muslims, 100% of them agree that they understand the concept of Islamic banking.

2.4.5 Service Quality
A quantitative research was arranged by Parasuraman et al in 1988 in which an instrument was developed for measuring the perception of consumers regarding service quality and after that research it became known as SERVQUAL. The dimensions of SERVQUAL model were:

(i.)  Tangibles – physical attributes.
(ii.)  Reliability – to give promised service.
(iii.)  Responsiveness – showing interest to help customers and provide prompt services.
(iv.)  Assurance – guarantee competence, courtesy, credibility, and security to customers by organization’s employees using their knowledge.
(v.)  Empathy – the ability to understand and share the feelings of customers. (Parasuraman et al., 1988).
Perceived qualities as well as customer expectations are the two most important constructs that positively and directly influences overall customer satisfaction. (Yu et al., 2005). Customer satisfaction is directly proportional to service quality. So organizations should pay more attention on service quality. For this, the firms should welcome customer suggestions and should design programs which can measure service quality and customers satisfaction. (Ojo, 2010). Empathy, reliability, responsiveness, assurance and tangibility which are the dimensions of service quality are positively related to customer satisfaction. Tangibility is one of the most important forecaster of customer satisfaction. (Al-Rousan et al., 2010) Research depicts that improvement made to service quality will automatically increments the satisfaction of customers. The service quality dimensions that play a significant role in customer satisfaction are reliability, empathy, and assurance. (Kheng et al., 2010).

Research also proved that tangibles and assurance has the most significant effect while empathy has the least significant effect on customer satisfaction. (Ahmed et al., 2010) In all aspects, customers’ perceptions are comparatively higher than of their expectations of the Bank’s operation, and in fact the quality of offered services is low. The research findings also show that in the effects of service quality on service loyalty, customer satisfaction plays the role of a mediator. In addition there is a meaningful and positive relation between all dimensions of service quality with customer's satisfaction and loyalty, which in both cases assurance and tangibles have the most and the least relation with satisfaction and loyalty. (Mosahab et al.2010).
2.4.6 Customer Awareness and Satisfaction

Several studies have emphasized the significance of customer awareness in Islamic banking (Göksu & Becic, 2012; Hamid, Yaakub, Mujani, Sharizam & Jusoff, 2011; Doraisamy, Shanmugam & Raman, 2011; Khattak & Rehman, 2010; Rashid & Hassan, 2009; Khan, Hassan & Shahid, 2007; Rammal & Zurbruegg, 2007; Saduman, 2005; Naser, Jamal & Al-Khatib, 1999; Metwa & Almossawi, 1998). Nevertheless, there has been little effort to investigate Islamic banks in Zanzibar with special reference to the factors that might lead to customer satisfaction.

The key factors that influence customers’ bank selection include the range of services, the rates, and the fees and prices charged (Abratt & Russell, 1999). It is apparent that, to satisfy customers, superior service, alone, is not sufficient. Prices are essential, if not more important than service; relationship quality is also important. Furthermore, service excellence, meeting client needs, and providing innovative products are essential to success in the banking industry.

Most private banks claim that creating and maintaining customer relationships is important to them and that they are aware of the positive value relationships provide (Colgate, Stewart & Kinsella, 1996). Customers in Islamic banks seriously consider whether the bank complies with Shari’ah principles in all its banking activities (Ahmad & Haron, 2002; Metawa & Almossawi, 1998). Some researchers have placed emphasis on customer satisfaction in the Islamic banks and stated that Islamic banking is no longer a business entity serving the religious obligations of the Muslim community. Rather, customers of Islamic banks include a wide array of people across various cultures and religions (Wilson, 1995). It is suggested that, in order to gain a competitive position in the market, banks should concentrate on service quality and customer satisfaction (Caruana, 2002). Similarly, it is suggested that an organization in the banking sector’s service performance appraisal system should be improved in line with customer satisfaction (Kayis, Kim & Shin, 2003). Also noteworthy is the finding that there is a direct positive relationship between perceived quality and level of satisfaction (Iglesias & Guille’n, 2004).
Customer perception on both service quality and product quality is important because it is linked to awareness. All organizations must clearly understand differing customer perception of service quality and product quality because this perception influences consumer awareness. Othman & Owen (2001) confirmed that there is a strong link between service quality and customer satisfaction. As a result, Islamic banks must pay close attention to this factor and begin to think strategically in order to satisfy their customers by providing high quality products and services. In their study of Malaysian banking consumers, Hamid and Nordin (2001) found a high level of awareness of Islamic banking but a poor knowledge of specific Islamic banking products, including a poor understanding of the difference between Islamic and conventional banks. They also believed that better consumer education assists in making people more aware of Islamic banking products.

Othman & Owen (2001) examined the performance of the Islamic banking industry in Kuwait. They found a strong link between service quality and customer satisfaction. Naser et al. (1999) found that customer satisfaction is often related to factors such as service quality and service features. Attention has been given to the importance of awareness and usage in shaping customer behaviour. Metawa and Almossawi (1998) measured customer awareness and usage of various Islamic bank products and services in Bahrain.

Dusuki and Abdullah (2007) found that the selection of Islamic banks in Malaysia is based on a combination of Islamic and financial reputation and the quality of services offered by each bank. Studies by Erol and El-Bdour (1989) discovered that the most important criteria considered by consumers in bank selection are fast and efficient services, a bank’s reputation and image, and confidentiality. Naser et al. (1999) support these findings. They conducted research on Jordanian consumers’ satisfaction in regards to a bank’s name, image, confidentiality policy and reputation. Fast and efficient service is always regarded as high quality among bank consumers who value time and who expect a transaction to be completed quickly.
The context of quality services is reflected in the friendliness of personnel, the dress code, communication techniques and relationships with consumer (Haron, Ahmed & Planisek, 1994). Consumers’ preferences often depend on the quality of services offered. In the context of services, consumers’ satisfaction as an antecedent of service quality (Bitner, 2001; Cronin & Taylor, 1992). The success of any product and service highly depends on customer acceptance and satisfaction. High quality service helps generate customer satisfaction, customer loyalty and growth of market share by soliciting new customers. It also improves productivity and financial performance (Bashir, Machali & Mwinyi, 2012; Hassan, Chachi & Latiff, 2008; Hassain & Leo, 2009).
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction
This chapter is concerned with the methodological issues regarding the study. It presents methods and procedures used in gathering information about the study. The chapter begins by presenting the research design which is 3.2, followed by Study population, 3.3, 3.4 Sample and Sample size, 3.5 Sample technique, 3.6 Data Collection Methods and Data analysis in section 3.7.

3.2 Research Design
Research design is the journey through which the research is to be done. This is the road map on how the research is going to be done, that is the planning on how the research is to be done. In other words, the function of research design is to provide for the collection of relevant evidence with minimal expenditure of effort, time and money (Kothari, 2011). In order to achieve this, it depends mainly on the research purpose.

This study has employed a descriptive multiple-embedded case study. An embedded case study is a case study containing more than one sub-unit of analysis (Yin, 2003). Accordingly, multiple-embedded case study allows comparison of data and information which provides an advantage of rich and valid findings. Scholz & Tietje (2002) and Yin (2003) contend that an embedded case study methodology provides a means of integrating quantitative and qualitative methods into a single research study. With respect to descriptive nature of this research design, Yin (1994) defines it as that one which attempts to describe a situation regarding what happens.

This design is very flexible that can allow the researcher to change the research procedures along the case as a result of the interaction with the interviewed. And this design is consider being good tool learning about a specific phenomenon that is to be analyzed (Yin, 1994).
3.3 Study Population

A population is defined in structure and fine structure as a group of individuals who cannot be statistically distinguished (Lawson, 2012). A population is any complete group with at least one characteristic in common. Populations are not just people. Populations may consist of, but are not limited to, people, animals, businesses, buildings, motor vehicles, farms, objects or events.

The definition of population in this study was base on three parts such as staffs of The PBZIB and its customers from ZWUR.

The population was compos two types of units of analysis. These are: staffs of The PBZIBand customers from Zanzibar urban west.

These categories of participants were considered for the study because they are the ones using or supervising The PBZIBSon daily basis. In fact, selection of these groups was base on theoretical sampling. That is, were selected basing on different extremes. This also facilitated comparison.

3.4 Sample and Sample size.

Kothari (2006) defines sample as a collection of some parts of the population on the basis of which judgment is made small enough to convenient data collection and large enough to be true representative of the population from this it had been selected. Sample size refers is a number of items to be selected from the universe to constitute a sample.

The sample size from the population may be obtained using the following methods depend on the population explicitly involved in one way or another in revenue collection:

- For small population
  Sample size, \( n = \frac{1}{3N} \)
  Where \( N \) = population and \( n \) = sample size

- For large population, Nassiuma (2000) formula is to be used
Using Nassiuma’s formula, sample size \( n = \frac{NC^2}{C^2 + (N-1)e^2} \)

Where, \( N = \) Total population, \( n = \) sample size, \( C = \) coefficient of variation (10-20%), \( e = \) sampling error (1%).

But on this study, the researcher has selects 15 staffs of The PBZIB and 30 customers from ZWUR for filling the questionnaire as indicated in the table below:

<table>
<thead>
<tr>
<th>Area of study</th>
<th>Staff</th>
<th>Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>The PBZ Islamic Bank</td>
<td>15</td>
<td>30</td>
</tr>
</tbody>
</table>

The above sample is selected on base of the fact that they have an influence in one way or another in the customer awareness and satisfaction of The PBZIB. This means that staffs are involved in one way or another on giving good serves quality which promote customer awareness and satisfaction and customers are the one who will get the service and give back their responsiveness about their satisfaction.

### 3.5 Sampling Technique

Sampling techniques provide a variety of methods that enable the researcher to reduce the amount of data collected by considering only data from sub-groups rather than all possible cases or elements. The following sampling techniques were being applied during the study:

(i.) Purposive sampling.

Purposive sampling is which selected by the researcher subjectively considering the purpose of the study. This technique provide the research with a chance of asking any staff of the department of customer care and those who are dealing directly with customers such as tellers and loan officers of The PBZIB. The researcher was using his own judgments on the elements selected.
(ii.) **Random Sampling.**

The researcher employs simple random sampling in order to get the sample included in the study. Other staffs and customers were given equal chances, selected as the representative sample of the whole population. The researcher has using this technique because it reduced the biasness and encourages objectivity of the data collection.

### 3.6 **Data Collection Methods**

The study has employed both primary and secondary data.

Primary data is research information gathered from original sources: the data are gathered and assembled specifically for the result project at hand. (Zikmund, 2003). It is the —first—hand data communication and interaction with a representative sample of individuals. There are few ways to collect primary data, for example, telephone interviews, face-to-face interviews, and questionnaires. Since the population especially customers are disperse each other and the time is limited, it will be impossible to use the personal interview and telephone interview to collect the information needed due to time and cost constraints. Therefore, self-administered questionnaires were the most ideal method used to collect the primary data in this study.

According to (Zikmund 2003), self-administered questionnaires refer to the survey in which the respondent takes the responsibility for reading and answering the questions.

Primary data have the advantage of giving the researcher an in-depth familiarity with the research findings, promoting accurate answers, and a better understanding of the research process (Gall et. al, 2005).

Secondary data on the other hand, are the data that will be collected sometime earlier for specific objectives or project. These data have the advantage of being easy and quick to be obtained, save time and cost; and can result in unforeseen discoveries (Saunders et al., 2000).
The study has employed three methods for collecting data. These methods were:

(i.) Questionnaire

(ii.) Interview

(iii.) Documentary review

Accordingly, multiple methods in data collection have the advantage of improving validity as well as the reliability of the study findings. Also, Janesick, (1998), concludes that one advantage of adopting a case study design is that of triangulating methods and data as it was the case for this study. It can be said that, the three methods of evidence collection helped to see the same things from three different points of view which in fact improves validity of findings (Silverman, 1993)

(i.) Questionnaire

A questionnaire consist of a number of questions printed or typed in a definite order on the form or set of form. It is a set of questions which are usually sent to the selected responding to answer at their own suitable time and return back the filled questionnaire to the researcher (Kothari, 2011). The researcher used both open and closed questionnaire by distributing to the concerned respondent with request to answer and return back to the researcher. This method is quite popular, particularly in case of big enquires. In this study there was a dual set of questionnaires for unit of analysis.

This method has been chosen because of the following advantages;

(a.) This method has been more efficiently because it will enable the respondents to answer the given questions more freely as will be intended by the researcher though customers will be widely spread geographically around the region.

(b.) The method proves as to be free from bias of the interviewer so that answers will be in respondent’s words. This has been a great advantage in drawing suitable conclusion and recommendation.
(c.) The questionnaires include simple and short questions prepared from research questions filled by the respondent. The researcher use this method since it is low cost even large and widely geographic spread respondent (Kothari, 1990).

(ii.) Interview

This is the method of data collection whereby researcher contacts face to face with respondents both staffs of The PBZIB and customers from Urban West Region using structured and unstructured questions. A study protocol has prepare and administered to obtain views concerning the effectiveness of The PBZIB on promoting customer awareness and satisfaction from the three defined respondent. According to Yin (1994), using a study protocol is important when conducting interviews because it enhances validity of the findings.

The researcher has been use this method of data collection because it provides an opportunity to the respondents to out their opinions and also it enable the researcher to overcome any resistance from the respondents by using his own skill, as well it is a useful way to get large amount of data quickly where it allows for a wide variety of information, immediate follow up of questions and, if necessary clarification of concepts to the interviewee (Marshall & Rossman, 1989).

The other advantages of this method include the following:
(a.) It allows great flexibility and an opportunity to restructure questions especially in case of unstructured interviews.

(b.) The language of the interview was adopted in respect of the ability or education level of the interviewee and such misinterpretation concerning questions has been avoided. It therefore that personal information obtained easily under this method which leads to greater depth and more valid information for sound judgment (Kothari, 1990)
(iii.) Documentary Review
Documentary review has applying a data collection technique whereby various documents of the area of study concerning the subject matter will be reviewed in order to extract required information. The researcher was interested only to those relate to the Effectiveness of Islamic Banking system in promoting customer awareness and satisfaction.

3.7 Data Analysis techniques
The researcher has analyse data, item by item, taking into account all importance processes of editing and reducing, coding and displaying them for the purpose of study.
Data to be collected has been classified, edited for accuracy and checked for completeness. The researcher use both qualitative and quantitative data analysis technique.
(i.) Qualitative data analysis technique
These are factual and logical statements made to analyse the data that will not measure numerically. It is a technique which concerned with subjective assessment of attitude, opinions and behaviour.
Basically it includes various explanatory phases of what was obtained from the field observation and comments from the respondents.

(ii.) Quantitative data analysis technique
It made use of mathematical techniques to analyse data that will measure numerically.It involves the generation of data in quantitative form which can be subjective analysis in a formal and rigid fashion.

Mostly descriptive statistics analysis was used to analyse data obtained from respondents through questionnaire. These included percentages, and frequencies, and cross-tabulations. These included frequencies and cross-tables were the major types of the descriptive statistics analysis of this study. The Statistical Package for Social Sciences (SPSS) version16.0 and Microsoft Excel computer software was used to enter data collected from respondents.
CHAPTER FOUR

PRESENTATION OF RESEARCH FINDINGS, ANALYSIS AND DISCUSSIONS

4.1 Introduction

This chapter is about presentation, analysis and discussion of findings. The first part gives the presentation of the composition of the respondents followed by demographic profile of the respondent, then respondent’s awareness level of IB in Zanzibar and then respondent’s perception and understanding level of IBS and operation and lastly respondent satisfaction of the product/service offered by The PBZIB.

4.1.1 Profile of Respondent

In order to make analysis and to know about the customer satisfaction we have to know about the customers and staffs of The PBZIB. For this a demographic portion was added in the study. This section has cover respondents composition, sex, age and there educational level.

4.1.2 Composition of the Respondents

In this study, there are total of 35 respondents, among these 35 respondents there are 24 (68.6%) customers and 11 (31.4%) were employee of The PBZIB.

Table 4.1: Composition of the Respondents

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>Customers</td>
<td>24</td>
<td>68.6</td>
<td>68.6</td>
</tr>
<tr>
<td></td>
<td>Employee</td>
<td>11</td>
<td>31.4</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>35</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Field of Study, (2014)
4.2.3 Gender Distribution of the Respondents

Out of 35 respondents 18 (51.4%) were male, 11 (31.4%) of them were customers and 7 (20%) were employee, while 17 (48.6%) were female of whom 13 (37.1%) were customers and 4 (11.4%) were employee. The data indicate that in Zanzibar as in many African countries, there is still gender inequality in working places. This could be explained due to the fact that many people in Africa give priority to boys than to girls when it comes to the issues of education, as it has been reported by Milanzi (1995), as a result, most of the profession are taken by males while on customers female were more than male because, most of them were not use bank because of interest but they become users once when The PBZ establish Islamic bank division. The distribution of the respondent’s base on their sex is shown in table 4.2 below.
Table 4.2: Gender Distribution of the Respondents

<table>
<thead>
<tr>
<th></th>
<th>Frequency of Customers</th>
<th>Percent of customers</th>
<th>Frequency of Employee</th>
<th>Percent of Employee</th>
<th>Total Frequency</th>
<th>Total Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>11</td>
<td>31.4%</td>
<td>7</td>
<td>20.0%</td>
<td>18</td>
<td>51.4%</td>
</tr>
<tr>
<td>Female</td>
<td>13</td>
<td>37.1%</td>
<td>4</td>
<td>11.4%</td>
<td>17</td>
<td>48.6%</td>
</tr>
<tr>
<td>Total</td>
<td>24</td>
<td>68.6%</td>
<td>11</td>
<td>31.4%</td>
<td>35</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Field of Study, (2014)

Figure 4.2: Gender Distributions of the Respondents

Source: Field of Study, (2014)

4.2.3 Age of the Respondents

The age of the respondents was range from less than 25 years to 50 years and above. By grouping the respondents based on their age resulted into four groups. The number of the respondents whose age was less than 25 years was 4 (11.4%) out of these 3 (8.6%) were customer and 1 (2.9%) is employee. While that of respondents whose age ranged between 25 - 35 years was 16 (45.7%) out of these 10 (28.6%) were customers and 6 (17.1%) were employee. On other hand, the number of respondents whose age ranged between 36 - 50 years was 11 (31.4%) out of these respondents 7 (20%) were customers and 4 (11.4%) were employee. Finally, it was
observed that there was no employee respondent whose age was above 50 but only 4 (11.4%) customers whose age is above 50 years. This data give good impression that most of the respondents were between the age of 25 and 50 years old this means that most of the stakeholders (customers and employee) of The PBZ Islamic Bank lies between age of 25 years and 50 years. The age based summary of the distribution of the respondents is as shown in table 4.3 below.

Table 4.3: Age Distribution of the Respondents

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Frequency of Customers</th>
<th>Percent of Customers</th>
<th>Frequency of Employee</th>
<th>Percent of Employee</th>
<th>Total Frequency</th>
<th>Total Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>less than 25 years</td>
<td>3</td>
<td>8.6%</td>
<td>1</td>
<td>2.9%</td>
<td>4</td>
<td>11.4%</td>
</tr>
<tr>
<td>25 - 35 years</td>
<td>10</td>
<td>28.6%</td>
<td>6</td>
<td>17.1%</td>
<td>16</td>
<td>45.7%</td>
</tr>
<tr>
<td>36 - 50 years</td>
<td>7</td>
<td>20.0%</td>
<td>4</td>
<td>11.4%</td>
<td>11</td>
<td>31.4%</td>
</tr>
<tr>
<td>50 years and above</td>
<td>4</td>
<td>11.4%</td>
<td>0</td>
<td>0.0%</td>
<td>4</td>
<td>11.4%</td>
</tr>
<tr>
<td>Total</td>
<td>24</td>
<td>68.6%</td>
<td>11</td>
<td>31.4%</td>
<td>35</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Field of Study, (2014)

Figure 4.3: Age Distribution of the Respondents

Source: Field of Study, (2014)
4.2.4 Educational Level of the Respondents

Apart from the sex and age of the respondents, this study had also collected information about educational level of the respondents. The result from the study revealed that the highest educational level attained by the respondents was Master Degree. The result show that only one respondents who is customer has Advance level, three of them has advance diploma out of these, two were customers and one is employee. while twenty one respondents has bachelor degree of which twelve were customers and nine were employee in other word more than half of the respondent have bachelor degree. Also there are five respondents who have master degree, four of them were customers and one is employee. Finally there are again five respondents who are customers whose educational level is below Advance level. From the data, it is clearly show that the most of the respondents have good academic qualification, however it is observed that most of the customers were Government employed and in other hand The PBZ Islamic Bank have the policy that, they do not employ any officer who is below Advance Diploma.

Table 4.4: Educational Level of the Respondents

<table>
<thead>
<tr>
<th>Educational Level</th>
<th>A level</th>
<th>Advance Diploma</th>
<th>bachelor Degree</th>
<th>Master degree</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>stakeholder</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customers</td>
<td>1</td>
<td>2</td>
<td>12</td>
<td>4</td>
<td>5</td>
<td>24</td>
</tr>
<tr>
<td>type</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee</td>
<td>0</td>
<td>1</td>
<td>9</td>
<td>1</td>
<td>0</td>
<td>11</td>
</tr>
<tr>
<td>Total</td>
<td>1</td>
<td>3</td>
<td>21</td>
<td>5</td>
<td>5</td>
<td>35</td>
</tr>
</tbody>
</table>

Source: Field of Study, (2014)
Figure 4.4: Educational Levels of the Respondents

Source: Field of Study, (2014)

4.2.5 Respondents Experience in Using Islamic Bank

Islamic Bank in Zanzibar has been established since 17th of January 2011, in other word it has only three years and six months. The study had found out the experience of the respondents in using Islamic Bank to both customers and employee. On customers side there are 2 (5.71%) customers whose experience is less than 1 year, 11 (31.43%) of them has an experience which range 1 - 2 years. Experience of 3 - 5 years was 9 (25.71%) customers and only 2 (5.71%) customers have the experience of above 5 years. This indicates that the idea of Islamic bank in Zanzibar is very new in such a way that most of customer’s respondent has experience between 1 - 2 years.

While on employee side there are less than 1 year and 5 years and above experience which both of them has only 1 (8.6%) employee but 1 - 2 years experience and 3 - 5 years experience have 2 (5.7%) and 7 (20%) employee respectively. This also indicates that employee also has no enough experience in working in Islamic banking system. Table 4.5 and figure 5 below summarizes the frequency distribution and percentage distribution of respondents experience in using Islamic Bank.
4.3 Factors Affecting Customers Satisfaction of the PBZ Islamic Bank.

The first objective of the study was to explore the leading factors affecting the customer satisfaction of PBZ Islamic bank. Thus the respondents were assessed on various items pertaining to the Islamic Banking system and product such as awareness level toward the existence and product of Islamic bank, Understanding of Islamic banking system and operation and lastly was to assesses the respondents perception toward Islamic bank.
4.3.1 Awareness level Toward Islamic Banking in Zanzibar

Out of 24 respondents, 14 (58.3%) of them say they are aware of the Islamic bank in Zanzibar and 10 (41.7%) respondents say they were not aware. These data indicate that most of the respondents are aware of the Islamic bank in Zanzibar this is due to the fact that 98% of the population of Zanzibar is Muslim that’s why most of them are aware.

Table 4.6: General Awareness Level of Customers

<table>
<thead>
<tr>
<th>Awareness Level</th>
<th>Yes</th>
<th>No</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>stakeholder type</td>
<td>Customers</td>
<td>14</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>14</td>
<td>10</td>
<td>24</td>
</tr>
</tbody>
</table>

Source: Field of Study, (2014)

Figure 4.6: General Awareness Levels

Source: Field of Study, (2014)
4.3.2 Awareness Level toward Islamic Banking Product and Services

A study that was conducted in Singapore in 1997 by Gerrard and Cunningham concluded that most of the Muslims are aware of the fundamental concepts of the Islamic finance. But they are not aware of the specific Islamic financial products such as *Murabaha, Ijara* etc. That study was conducted in non-Islamic country. The same case has appeared here in Zanzibar. The study indicates that most of the customers are not aware of the Islamic banking product and service even employee were respond that their customers are not aware of the most of the product that offered by The PBZ Islamic Bank.

(i.) Deposit Product

The tables below show the respondents of customers. Table 4.7a show that on deposit product, out of 24 customers, 23 (95.8%) were aware of the deposit products and 1 (4.2%) customer was not aware of these products. This indicates that all most all respondents aware of this product, this was cause by when The PBZ Islamic Bank was establish in Zanzibar, they just start with deposit product only.

### Table 4.7a: Awareness level of Deposit Products

<table>
<thead>
<tr>
<th>Stakeholder type</th>
<th>Aware</th>
<th>Not aware</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers</td>
<td>23</td>
<td>1</td>
<td>24</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>23</strong></td>
<td><strong>1</strong></td>
<td><strong>24</strong></td>
</tr>
</tbody>
</table>

*Source: Field of Study, (2014)*

(ii.) Financing Equity Base Products

Generally in these products, Customers were totally not aware of these product, The result on the Table 4.7b show that only 2 (8.3%) customers are aware of these products but the remaining 22 (91.7%) were not aware of these products. This is because The PBZ Islamic bank do not offer these kinds of products because of lack of Islamic financial market in Tanzania, as well as lack of entrepreneur and investment opportunities which are allowable (Halal) in Islam.
Table 4.7b: Awareness level of Financing Product (Equity Based)

<table>
<thead>
<tr>
<th>stakeholder type</th>
<th>FinancingEB Product</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Aware</td>
<td>Not aware</td>
<td>Total</td>
</tr>
<tr>
<td>Customers</td>
<td>2</td>
<td>22</td>
<td>24</td>
</tr>
</tbody>
</table>

Source: Field of Study, (2014)

(iii.) Financing Products (Debt - Base) - I

On these products customer’s respondents were divided in to two equal parts. 12 (50%) customers were aware of these products while the same amount and percent were not aware of the products. This indicate customers are aware of these products because, many customers use these products to finance their activities without being charging with interest and for this reason most of them migrate from conventional bank to Islamic Bank.

Table 4.7c: Awareness level of Financing Products (Debt Based) I

<table>
<thead>
<tr>
<th>stakeholder type</th>
<th>FinancingDB1 Product</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Aware</td>
<td>Not aware</td>
<td>Total</td>
</tr>
<tr>
<td>Customers</td>
<td>12</td>
<td>12</td>
<td>24</td>
</tr>
</tbody>
</table>

Source: Field of Study, (2014)

(iv.) Financing Products (Debt - Based) II

The table below show that awareness on financing products (Debt - Based) II majority of the respondent were not aware of these products in such a way that 21 (87.5%) of customers were not aware and only 3 (12.5%) were aware.
Table 4.7d: Awareness Level of Financing Products (Debt Based) II

<table>
<thead>
<tr>
<th>stakeholder type</th>
<th>Financing DB2 Product</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Aware</td>
<td>Not aware</td>
</tr>
<tr>
<td>Customers</td>
<td>3</td>
<td>21</td>
</tr>
<tr>
<td>Total</td>
<td>3</td>
<td>21</td>
</tr>
</tbody>
</table>

Source: Field of Study, (2014)

(v.) Fee Based Products

Based on the table 4.7e, show that 9 (37.5%) were aware of these products while 15 (62.5%) were not.

Table 4.7e: Awareness Level of Fee Based Products

<table>
<thead>
<tr>
<th>stakeholder type</th>
<th>Fee BP</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Aware</td>
<td>Not aware</td>
</tr>
<tr>
<td>Customers</td>
<td>9</td>
<td>15</td>
</tr>
<tr>
<td>Total</td>
<td>9</td>
<td>15</td>
</tr>
</tbody>
</table>

Source: Field of Study, (2014)

Figure 4.7 Awareness Levels of Customers toward Islamic Banking Products

Source: Field of Study, (2014)
4.3.2 Perception toward Islamic Banking in Zanzibar

Here the researcher has looked just on few important things on how respondents perceive about Islamic Banking. The table 4.8 shows that 20 (83.3%) perceive that there is very high potential of Islamic Banking products in Zanzibar. 13 respondents (54.2%) agree that Islamic banks are able to compete with conventional banks. 18 respondents (75%) perceive that Islamic bank could provide lower cost products and services compared to conventional banking. 12 (50%) disagree that returns on Islamic banks deposits account are higher than the returns on conventional banks deposits account. 19 (79.2%) of the respondents perceive that Islamic banking is available for Muslims as well as non-Muslims.

Table 4.8: Perceptions of Customers toward Islamic Banking

<table>
<thead>
<tr>
<th>No</th>
<th>Statements</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>F     %</td>
<td>F   %</td>
<td>F     %</td>
<td>F   %</td>
<td>F   %</td>
</tr>
<tr>
<td>1</td>
<td>There is a very high potential of Islamic banking products in Zanzibar.</td>
<td>0      0</td>
<td>0      0</td>
<td>4      16.7</td>
<td>12     50</td>
<td>8    33.3</td>
</tr>
<tr>
<td>2</td>
<td>Islamic banks are able to compete with conventional banks.</td>
<td>0      0</td>
<td>0      0</td>
<td>3      12.5</td>
<td>8      33.3</td>
<td>6    25</td>
</tr>
<tr>
<td>3</td>
<td>Islamic banks could provide lower cost products and services compared to</td>
<td>0      0</td>
<td>0      0</td>
<td>1      4.2</td>
<td>5      20.8</td>
<td>9    37.5</td>
</tr>
<tr>
<td></td>
<td>conventional banking.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Returns on Islamic banks deposits account are higher than the returns on</td>
<td>5      20.8</td>
<td>7      29.2</td>
<td>8      33.3</td>
<td>4      16.7</td>
<td>0    0</td>
</tr>
<tr>
<td></td>
<td>conventional banks deposits account.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Islamic banking is available for Muslims as well as non-Muslims</td>
<td>0      0</td>
<td>0      0</td>
<td>0      0</td>
<td>5      20.8</td>
<td>9    37.5</td>
</tr>
</tbody>
</table>

Source: Field of Study, (2014)
4.3.3 Understanding Level toward Islamic Banking System and Operation

The researcher also had looked on the understanding level of the respondents toward Islamic banking system and operation as a factor that promote customers satisfaction. The table 4.9 below show that 18 (75%) of the respondents understand that Islamic banking is the conduct of banking operations according to Shariah Law. 21 (87.5%) agree that Islamic banking prohibits interest in all forms of transactions. Also in investment all 24 respondents (100%) understand that Islamic banks only invest in businesses that are not prohibited by Islam or halal businesses. On marketing, also 18 (75%) of the respondents agree that Islamic banks have not done enough in marketing their products to the public. And 17 (70.8%) of the respondents do understand that each Islamic bank should have a Sheriah Supervisory Board to ensure that all business activities are in line with Sheriah requirements.

Table 4.9: Understanding Level of Customers toward Islamic Banking System and Operation

<table>
<thead>
<tr>
<th>No</th>
<th>Statements</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>F</td>
<td>%</td>
<td>F</td>
<td>%</td>
<td>F</td>
</tr>
<tr>
<td>1</td>
<td>Islamic banking is the conduct of banking operations according to Shariah Law.</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>4.2</td>
<td>5</td>
</tr>
<tr>
<td>2</td>
<td>Islamic banking prohibits interest in all forms of transactions.</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>4.2</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>Islamic banks only invest in businesses that are not prohibited by Islam or halal businesses</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>4</td>
<td>Islamic banks have not done enough in marketing their products to the public.</td>
<td>5</td>
<td>20.8</td>
<td>1</td>
<td>4.2</td>
<td>3</td>
</tr>
<tr>
<td>5</td>
<td>Each Islamic bank should have a Sheriah Supervisory Board to ensure that all business activities are in line With Sheriah requirements.</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>4.2</td>
<td>6</td>
</tr>
</tbody>
</table>

Source: Field of Study, (2014)
4.3.4 Discussion on the Findings
Generally, it can be concluded that, since Islamic Banking system was introduce in Zanzibar, it has to a large extent promote customers satisfaction. As it has been revealed by the study findings that the respondents has positive views on areas of awareness of the Islamic bank in general, understanding and perception of the Islamic banking system and operation but on awareness of Islamic banking products, respondents did not have positive views as the study show that, out of five products only one product respondents are aware of it but the other four, respondents are not aware of it. However, the study has found that out of these five products, Equity based products are not offered by The PBZ Islamic Bank, the other four were offered to customers but the Bank did not done enough in marketing their products to the public.

4.4 Effectiveness of Islamic Banking System
The next objective of this study was to determine the important elements of effectiveness of PBZ Islamic bank in predicting customer satisfaction. The main element of The PBZ Islamic bank that can predict customer’s satisfaction is service quality and product quality. On these two elements only customers were asked about service quality and product quality. The dimension of service quality model is assurance, reliability, tangibles, empathy and responsiveness.

4.4.1 Assurance
The table below show that out of 24 customers, 16 (66.7%) customers were satisfied, on other word more than half of the respondents were satisfied with guarantee competence, courtesy, credibility, and security given to customers by employees of The PBZIB using their knowledge. While 5 (20.8%) of the customers respondents were dissatisfied with the service. This data indicates that The PBZIB is very effective in providing this services as a result the system promote customers satisfaction.
Table 4.10: Customers Satisfaction on Assurance Service

<table>
<thead>
<tr>
<th>stakeholder type</th>
<th>VS</th>
<th>S</th>
<th>N</th>
<th>D</th>
<th>VD</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers</td>
<td>4</td>
<td>12</td>
<td>3</td>
<td>4</td>
<td>1</td>
<td>24</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4</td>
<td>12</td>
<td>3</td>
<td>4</td>
<td>1</td>
<td>24</td>
</tr>
</tbody>
</table>

Source: Field of Study, (2014)

Figure 4.8: Customers Satisfaction on Assurance Service

Source: Field of Study, (2014)

4.4.2 Reliability to give promised Service

Another dimension of service quality is reliability, means to give a promised service. Also the study has give the result of this dimension and customers has respond as follow: 13 (54.2%) customers are satisfied that The PBZIB give promised service to their customers in other word more than half are satisfied with this dimension of service quality and only 3 (12.5%) are dissatisfied with this dimension. This indicates that The PBZIBS is very effective to provide their service to their customers hence it promote customers satisfaction.
Table 4.11: Customers Satisfaction on Reliability Service

<table>
<thead>
<tr>
<th>Stakeholder Type</th>
<th>VS</th>
<th>S</th>
<th>N</th>
<th>D</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers</td>
<td>3</td>
<td>10</td>
<td>8</td>
<td>3</td>
<td>24</td>
</tr>
</tbody>
</table>

Source: Field of Study, (2014)

Figure 4.9: Customers Satisfaction on Reliability Service

Source: Field of Study, (2014)

4.4.3 Responsiveness – Showing Interest to Help Customers and Provide Prompt Services

Responsiveness is another dimension of the service quality whereby also respondents were tested on. The table 4.4.3 show that 15 (62.5%) customers were satisfied with the way Islamic Bank employee showing interest to help customers and provide prompt service to their customers. While 5 customers (20.8%) were not satisfied, on other word were dissatisfied with the way Islamic bank employee respond to their customers. The data below indicate that the 62.5% of the respondents is enough to conclude that the service of The PBZIB is effective enough to promote customers satisfaction.
Table 4.12: Customers Satisfaction on Responsiveness Service

<table>
<thead>
<tr>
<th>Stakeholder Type</th>
<th>VS</th>
<th>S</th>
<th>N</th>
<th>D</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers</td>
<td>6</td>
<td>9</td>
<td>4</td>
<td>5</td>
<td>24</td>
</tr>
<tr>
<td>Total</td>
<td>6</td>
<td>9</td>
<td>4</td>
<td>5</td>
<td>24</td>
</tr>
</tbody>
</table>

Source: Field of Study, (2014)

Figure 4.10: Customers Satisfaction on Responsiveness Service

Source: Field of Study, (2014)

4.4.4 Empathy – The Ability to Understand and Share the Feelings of Customers

The fourth dimension of service quality is empathy which also has been asked to the respondents in order to understand how effective of the PBZ Islamic Bank on promoting customers satisfaction. The table below shows the collected results. Out of 24 customers only 10 (41.6%) customers are satisfied with The PBZIB empathy which is less than half of the respondents, while 9 (37.5%) customers are neutral and 5 customers (20.8%) are dissatisfied with the employee ability to understand and share the feelings of customers. This indicate that The PBZIB need to improve this dimension of service quality because the results is less than half, This is due to the fact that most of The PBZIB employee have not enough knowledge about this system.
so they are not well understood of the Islamic banking products and its alternatives.

Table 4.13: Customers Satisfaction on Empathy

<table>
<thead>
<tr>
<th>Stakeholder Type</th>
<th>Empathy</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>VS</td>
<td>S</td>
</tr>
<tr>
<td>Customers</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td>Total</td>
<td>2</td>
<td>8</td>
</tr>
</tbody>
</table>

Source: Field of Study, (2014)

Figure 4.11: Customers Satisfaction on Empathy Service

Source: Field of Study, (2014)

4.4.5 Tangibility – Physical Attributes

Last dimension of service quality is tangibility means physical attribute of The PBZIB. On this dimension, two important things have been look, general physical attribute and Automatic Teller Machine (ATM). Table 4.4.5 and 4.4.6 summaries the result. General physical attribute of The PBZ Islamic Bank is good in such a way that 18 (75%) of the respondents customers were satisfied of the general physical attribute, this means that the Bank has done enough to satisfy their customers in their general physical attribute, while only one customer who dissatisfied with the way The PBZ Islamic Bank look like or it general service in their buildings or premises.
While on ATM side the Bank did not do well in such a way that, 7 (29.2%) of the customers did not satisfied with service of the Bank on ATM while 9 (37.5%) were neutral and 8 (33.3%) respondents were satisfied. The data show that most of the customers were neutral that means some times were satisfied and sometimes not. This is due to the fact that The PBZ Bank is a leading Bank in Zanzibar so it has a lot of customers and few ATM in a few location. ATM are only available in town and few outside the town and no ATM in urban areas. The second problem is that, the system is not good enough to accommodate both conventional and Islamic in a same ATM system, most of the Islamic ATM card are not recognize.
Table 4.14(b): Customers Satisfaction on ATM

<table>
<thead>
<tr>
<th>Stakeholder Type</th>
<th>VS</th>
<th>S</th>
<th>N</th>
<th>D</th>
<th>VD</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers</td>
<td>2</td>
<td>6</td>
<td>9</td>
<td>6</td>
<td>1</td>
<td>24</td>
</tr>
<tr>
<td>Total</td>
<td>2</td>
<td>6</td>
<td>9</td>
<td>6</td>
<td>1</td>
<td>24</td>
</tr>
</tbody>
</table>

Source: Field of Study, (2014)

Figure: 4.12 (b): Customers Satisfaction on ATM Services

Source: Field of Study, (2014)

4.4.7 Discussion on the Findings

In general, the above facts and findings rationalize that The Islamic Banking System to the largest extent promotes customers satisfaction as it appeared in the major items investigated.

This is due to the fact that all five dimension of service quality has been tested and give positive result except on empathy and tangibility which base on ATM, it gave different result with other dimension. Assurance has give 66.7% satisfied in other word, respondents were satisfied with the guarantee competence, courtesy, credibility, and security given to customers by employees of the PBZ Islamic Bank using their knowledge. 54.2% of the respondents satisfied that The PBZ Islamic
Bank is reliable enough to give the promised service to their customers. Another dimension was responsiveness means, showing interest to help customers and provide prompt services to customers; this dimension has got 62.5% of satisfaction from customers. Also the ability of employee of The PBZ Islamic Bank to understand and share the feelings of customers is an another dimension which is empathy, on this, the study findings has revealed that The PBZ Islamic Bank did not done enough to make their customers to be satisfied that’s why it was just 41.6% of customers were satisfied on this dimension of service quality. The last dimension was tangibility on which, the study finding tells us 75% of the respondents were satisfied with the general physical attribute, but they were not satisfied enough on the ATM service such that only 33.3% of the respondents were satisfied.

4.5 Assessment of Customer Satisfaction
The last objective of this study was to compare the assessment of customer satisfaction by employee of PBZ Islamic bank and its customers. The answer of this objective is presented under the main items as that which were asked to customers. Accordingly, the same questions about awareness, perception and understanding of the Islamic banking system and operation which was answered by customers are also asked to employee in order to compare their views about customers satisfaction with the views of customers. This section therefore presents the comparison of the opinions of both customers and employee on factors affecting customer’s satisfaction of the PBZ Islamic bank.

4.5.1 Awareness level Toward Islamic Banking in Zanzibar
Out of 24 respondents, 14 (58.3%) of them say, they are aware of the Islamic bank in Zanzibar and 10 (41.7%) respondent say were not aware. The question also was asked to 11 employee about awareness level of their customers and they reply that, 6 (54.5%) they say that customers are aware of the Islamic bank but 5 (45.5%) are not sure about their customers awareness on Islamic Bank. These data indicates that most of the employee and customers has same views about Islamic bank, that means employee also agree that, the awareness level of Islamic Bank in Zanzibar is high.
4.5.2 Awareness Level toward Islamic Banking Product and Services

As we have seen about awareness level of customers toward Islamic banking products on previous section that, it is far from good, now the study has also look another side of the coin whereby employee give their opinion on awareness level toward Islamic Banking products and services to their customers. The same case has appeared to employee. The study indicate that most of the employee agree that, most of their customers are not aware of the Islamic banking product and services that are offered by The PBZ Islamic Bank. The following are the products which have been look by the study.

(i.) Deposit Product

The tables below show the respondents of customers as well as employee. Table 4.7a show that on deposit product, out of 24 (68.6%) customers, 23 (65.7%) were aware of the deposit products and 1 (2.9%) customer was not aware of these products. Also employee was ask about the awareness of their customers on deposit product and replay that customers are aware of the deposit products.

Table 4.15a: Awareness level of the respondents on Deposit Products

<table>
<thead>
<tr>
<th>stakeholder type</th>
<th>Deposit Product</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Aware</td>
<td>Not aware</td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>Customers</td>
<td>23</td>
<td>1</td>
<td>24</td>
<td></td>
</tr>
<tr>
<td>Employee</td>
<td>11</td>
<td>0</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>34</strong></td>
<td><strong>1</strong></td>
<td><strong>35</strong></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Field of Study, (2014)*

(ii.) Financing Equity Base Products

Generally in these products, Customers were totally not aware of these product, The result on the Table 4.7b show that only 2 (5.7%) customers are aware of these products but the remaining 22 (62.9%) were not aware of these product. But the entire employee 11 (31.4%) also agree that their customers are not aware of these product. This is because The PBZ Islamic bank do not offer these kinds of products.
because of lack of Islamic financial market in Tanzania, as well as lack of entrepreneur and investment opportunities which are allowable (Halal) in Islam.

Table 4.15(b): Awareness level of the respondents on Financing Products (Equity based)

<table>
<thead>
<tr>
<th>Stakeholder type</th>
<th>FinancingEB Product</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Aware</td>
<td>Not aware</td>
</tr>
<tr>
<td>Customers</td>
<td>2</td>
<td>22</td>
</tr>
<tr>
<td>Employee</td>
<td>0</td>
<td>11</td>
</tr>
<tr>
<td>Total</td>
<td>2</td>
<td>33</td>
</tr>
</tbody>
</table>

Source: Field of Study, (2014)

(iii.) Financing Product (Debt - Base) - I

On these products customer’s respondents were divided into two equal parts. 12 (34.3%) customers were aware of these products while the same amount and percent were not aware of the products. Also on employee side about 10 (28.6%) of employee respondents said that customers are aware of these products while only 1 (2.8%) of the employee disagree that customers were not aware of these product. This indicate customers are aware of these products because, many customers use these product to finance their activities without being charged with interest and for this reason most of them migrate from conventional bank to Islamic Bank.

Table 4.15c: Awareness level of the respondents on Financing Products (Debt – Based) I

<table>
<thead>
<tr>
<th>Stakeholder type</th>
<th>FinancingDB1 Product</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Aware</td>
<td>Not aware</td>
</tr>
<tr>
<td>Customers</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Employee</td>
<td>10</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>22</td>
<td>13</td>
</tr>
</tbody>
</table>

Source: Field of Study, (2014)
(iv.) Financing Products (Debt - Based) II

The table below show that awareness on financing products (Debt - Based) II majority of the respondent were not aware of these products in such a way that 21 (60%) of customers were not aware and only 3 (22.8%) were aware. And on employee side majority agree that their customers are not aware on financing product (debt - based) II, hence 10 (28.6%) said customers are not aware and only 1 (2.8%) said that they are aware.

Table 4.15d: Awareness level of the respondents on Financing Products(Debt – Based) II

<table>
<thead>
<tr>
<th>Stakeholder Type</th>
<th>FinancingDB2 Product</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Aware</td>
<td>Not aware</td>
</tr>
<tr>
<td>Customers</td>
<td>3</td>
<td>21</td>
</tr>
<tr>
<td>Employee</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>4</td>
<td>31</td>
</tr>
</tbody>
</table>

Source: Field of Study, (2014)

(v.) Fee Based Products

Based on the table 4.7e, show that 9 (25.7%) were aware of these products while 15 (42.9%) were not. And on employee side 3 (8.6%) were aware and 8 (22.8%) were not.

Table 4.15e: Awareness level of the Respondents on Fee Based Product

<table>
<thead>
<tr>
<th>Stakeholder Type</th>
<th>Fee BP</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Aware</td>
<td>Not aware</td>
</tr>
<tr>
<td>Customers</td>
<td>9</td>
<td>15</td>
</tr>
<tr>
<td>Employee</td>
<td>3</td>
<td>8</td>
</tr>
<tr>
<td>Total</td>
<td>12</td>
<td>23</td>
</tr>
</tbody>
</table>

Source: Field of Study, (2014)
Figure 4.13(a): Employee's opinion about their customers on awareness level toward Islamic Banking Product and services

Source: Field of Study, (2014)

Figure 4.13(b): Customer's Awareness Level toward Islamic Banking Product and Services

Source: Field of Study, (2014)
4.5.3 Perception toward Islamic Banking in Zanzibar.

Here the researcher has look just on few important things on how respondents perceive about Islamic Banking. The table 4.3.1 show that out 28 (80%) perceive that there is very high potential of Islamic Banking products in Zanzibar, 20 (83.3%) of customers agree the above statement and 8 (72.7%) of employee were also agree. Another item was that, Islamic banks are able to compete with conventional banks, 18 respondents (51.4%) were agree on that, where by 13 (54.2%) were customers and 5 (45.6%) were employee. Also, 18 (75%) customers and 6 (54.5%) employee perceive that Islamic bank could provide lower cost products and services compared to conventional banking. While 17 (48.6%) disagree that returns on Islamic banks deposits account are higher than the returns on conventional banks deposits account on this customers were 12 (50%) and 5 (45.5%) were employee. Finally 25 (71.4%) of the respondents perceive that Islamic banking is available for Muslims as well as non-Muslims whereby 19 (79.2%) and 6 (54.5%) are the percent of customers and employees respectively.
Table 4.16: Perception of the respondents toward Islamic Banking

<table>
<thead>
<tr>
<th>No</th>
<th>Statements</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
<td>%</td>
<td>F</td>
<td>%</td>
<td>F</td>
<td>%</td>
</tr>
<tr>
<td>1</td>
<td>There is a very high potential of Islamic banking products in Zanzibar.</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>7</td>
</tr>
<tr>
<td>2</td>
<td>Islamic banks are able to compete with conventional banks.</td>
<td>0</td>
<td>0</td>
<td>5</td>
<td>14.3</td>
<td>12</td>
</tr>
<tr>
<td>3</td>
<td>Islamic banks could provide lower cost products and services compared to conventional banking.</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>2.9</td>
<td>10</td>
</tr>
<tr>
<td>4</td>
<td>Returns on Islamic banks deposits account are higher than the returns on conventional banks deposits account.</td>
<td>7</td>
<td>20</td>
<td>10</td>
<td>28.6</td>
<td>14</td>
</tr>
<tr>
<td>5</td>
<td>Islamic banking is available for Muslims as well as non-Muslims</td>
<td>0</td>
<td>0</td>
<td>8</td>
<td>22.9</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: Field of Study, (2014)

4.5.4 Understanding Level toward Islamic Banking System and Operation

The researcher also had looked on the understanding level of the respondents toward Islamic banking system and operation as a factor that promote customers satisfaction. The table below show that 26 (74.3%) of the respondents understand that Islamic banking is the conduct of banking operations according to Sheriah Law out these respondents 18 (75%) were customers and 8 (72.7%). 32 (91.4%) of which 21(87.5%) were customers and 11 (100%) were employee, agree that Islamic banking prohibits interest in all forms of transactions. Also in investment 33 respondents (94.3%) understand that Islamic banks only invest in businesses that are not prohibited by Islam or halal businesses, out of these 33 respondent 24 (100%)
were customers and 9 (81%). On marketing, also 26 (74.3%) of the respondents agree that Islamic banks have not done enough in marketing their products to the public, from these, customers were 18 (75%) and employee were 8 (72.7%). Lastly 25 (71.4%) of the respondents understand that each Islamic bank should have a Sheria Supervisory Board to ensure that all business activities are in line with Sheria requirements, from this sample, 17 (70.8%) were customers and 8 (72.7%) were employee.

Table 4.17: Understanding Level of respondents toward Islamic Banking system and Operation

<table>
<thead>
<tr>
<th>No</th>
<th>Statements</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Islamic banking is the conduct of banking operations according to SheriaLaw.</td>
<td>0 0</td>
<td>1 2.9</td>
<td>10 28.6</td>
<td>4 11.4</td>
<td>20 57.1</td>
</tr>
<tr>
<td>2</td>
<td>Islamic banking prohibits interest in all forms of transactions.</td>
<td>0 0</td>
<td>1 2.9</td>
<td>2 5.7</td>
<td>13 37.1</td>
<td>19 54.3</td>
</tr>
<tr>
<td>3</td>
<td>Islamic banks only invest in businesses that are not prohibited by Islam or halal businesses</td>
<td>0 0</td>
<td>0 0</td>
<td>2 5.7</td>
<td>17 48.6</td>
<td>16 45.7</td>
</tr>
<tr>
<td>4</td>
<td>Islamic banks have not done enough in marketing their products to the public.</td>
<td>1 2.9</td>
<td>6 17.1</td>
<td>2 5.7</td>
<td>10 28.6</td>
<td>16 45.7</td>
</tr>
<tr>
<td>5</td>
<td>Each Islamic bank should have a SheriaSupervisory Board to ensure that all business activities are in line with Sheria requirements.</td>
<td>0 0</td>
<td>4 11.4</td>
<td>6 17.1</td>
<td>10 28.6</td>
<td>15 42.9</td>
</tr>
</tbody>
</table>

Source: Field of Study, (2014)
4.5.5 Discussion on the Findings
By considering the above study findings, generally, it can be concluded that, both employee and customers nearly have the same opinions about the factors affecting customer’s satisfaction of The PBZ Islamic bank which are awareness, perception and understanding the Islamic banking system and operation which are important factors in promoting customers satisfaction. Both agree that, customers are aware of the Islamic Banking in Zanzibar but, they were not aware about specific products which are offered by The PBZ Islamic Bank. Also they both have good understanding about deferent items about Islamic bank but, both agree that Islamic banks have not done enough in marketing their products to the public. Out of 11 employee, 8 (72.7%) agree that, they do not done enough in marketing their products and 18 (75%) out of 24 customers agree the same. On perception, both perceive positively but the main difference between them hasarises on the issue of return on Islamic bank deposit account. Half of the customers respondents disagree that, the return on Islamic Bank deposit account is higher than that of conventional bank deposit accountwhile employee only 3 (27.3%) out of 11 employee, but the other 8 (72.7%) employee were neutral about this.
CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.1 Introduction
The previous chapter has analyzed and discussed the findings of the study on the “effectiveness of Islamic Banking system on promoting customers satisfaction”. This chapter aims at presenting the summary, conclusion, recommendation, as well as the area for future study. The chapter starts by presenting summary of the study on main findings, followed by conclusion and finally recommendations.

5.2 Summary of the Study
This study was set to assess the effectiveness of Islamic Banking system on promoting customers satisfaction. With this regard, the study came up with three objectives; they are; to explore the leading factors affecting the customer satisfaction of PBZ Islamic bank, to determine the important elements of effectiveness of PBZ Islamic bank in predicting customer satisfaction and to compare the assessment of customer satisfaction by employee of PBZ Islamic bank and its customers. The summary of the findings of the study are as discussed below.

5.2.1 Awareness level Toward Islamic Banking in Zanzibar
The findings of the study indicate that the awareness level of customers toward Islamic banking in Zanzibar can effectively enhance the level of customer’s satisfaction. This is because of the fact that most of the respondents indicated that, they are aware of the Islamic banking which has been claimed by 58.3% of customers and 54.5% of employee.

5.2.2 Awareness Level toward Islamic Banking Product and Services
Despite the fact that majority of the respondents were aware of the Islamic banking in Zanzibar, the study has also revealed that most of the respondents are not aware of the specific products and services which are offered by the PBZ Islamic bank. The study has looked on five main products which are; deposit products, financing equity
base product, financing product (debt - base) – I, financing products (debt - based) - II and fee based products. Out of these five products only deposit product has 96% of customers were aware and employee also has claimed that 100% of their customers were aware of it.

Financing equity base is not yet offered by the bank due to the lack of Islamic financial market in Tanzania and lack of investment opportunities which are halal, in other word which are allowable by Islam and that is why respondents are totally not aware of this products.

In financing products (Debt – base) I, customer respondents were divided into two equal part, 50% say they are aware and the remaining are not, while 91% of employee say that their customers are aware of financing products (debt – base) I. The other product was financing product (debt – base) II which is also not aware by the customers as well as employee claim the same about there customers.

And the last product was fee base product, where by 37.5% of customers were aware and 62.5% were not, while employee 72.7% said that their customers were not aware of this product and only 27.3% agree that, they are aware.

5.2.3 Perception toward Islamic Banking in Zanzibar

The study has shown that, the perception level of Islamic banking in Zanzibar is good in such a way that it can promote customers satisfaction. The following items have been assessing about perception; potentiality of Islamic banking products in Zanzibar, its ability to compete with conventional banks, it ability to provide lower cost products and services compared to conventional banking, also respondents has been ask about perception on Islamic banking returns on deposits account compared with the returns on conventional banks deposits account, and lastly availability of Islamic bank.

The study has reveled that, generally, respondents has positive perception about Islamic bank in Zanzibar on all of the above items, except on return on Islamic bank
deposit account. The respondents did not agree that, the returns on Islamic banks deposits account are higher than the returns on conventional banks deposits account, on this, 50% were customers and 45% were employee.

5.2.4 Understanding Level toward Islamic Banking System and Operation
Apart from the level of awareness and perception level, this study also set out to examine the understanding level of the respondents about Islamic banking system and operation. The following areas has been examine about understanding level; the conduct of the banking operation, prohibition of interest in all form of transaction, investment in businesses that are not prohibited by Islam or halal businesses, marketing and finally it was about a Sheriah Supervisory Board.

The findings has show that, respondents have good understanding about Islamic banking system and operation in Zanzibar in such a way that, more than 70% of employee and customers agree that, Islamic banking is the conduct of banking operations according to Sheriah Law. Also about 80% of both respondents agree that, Islamic banking prohibits interest in all forms of transactions. While above 80% of both respondents also agree that, Islamic banks only invest in businesses that are not prohibited by Islam or halal businesses.

In addition the study has also found out that, more that 70% of customers and employee agree that, Islamic banks have not done enough in marketing their products to the public. Finally it was about Sheriah supervisory board; again, both respondents agree to 70% that, each Islamic bank should have a Sheriah Supervisory Board to ensure that all business activities are in line with Sheriah requirements.

5.2.5 Effectiveness of Islamic Banking System
The study has also covered the area of effectiveness of The PBZIBS which can promote customers satisfaction. On this part, five dimension of service quality has been assessed which are; assurance, reliability, responsiveness, empathy and tangibility.
The result was as follows; start with assurance, 66.7% of the respondents have claimed that, they are satisfied with guarantee competence, courtesy, credibility, and security given to customers by employees of the PBZIB using their knowledge. On reliability, 13 (54.2%) customers are satisfied that the PBZIB give promised service to their customers. while responsiveness and tangibility of general physical attribute has got 62.5% and 75% respectively, so they are satisfied with these dimension of service quality.

But, generally, customers were not satisfied about empathy in such a way that it has got less than half of the respondents who are satisfied, that is 41.6%. Finally it was about ATM, 33.3% were satisfied with the service, 29.2 were not and the remaining part which is 37.5% was neutral.

5.3 Conclusion
In this research there is focused on three elements which are; awareness level toward Islamic bank, perception toward Islamic banking and understanding level toward Islamic banking system and operation. These elements are the factors which affect customer’s satisfaction in Islamic banking system. It is concluded from the research that all group of user of Islamic Bank have clear understanding about Islamic Banking system and operation, they also have positive perception on it and both are generally aware of it.

Our study indicates that the customer’s awareness level towards Islamic banking products is good in some of the general products such as deposit product and financing product (debt - base) - I. But most of the customers are unaware of the different Islamic banking products such financing products (debt - based) II and fee based products. It means that Islamic banking industry have to give consideration to providing awareness to their customers. They have to arrange certain seminars to inform the IBS customers about different products and services.

On the other hand, the study also had a look on effectiveness of the PBZ Islamic bank system in term of dimension of service quality which are; assurance, reliability,
responsiveness, empathy and tangibility as factors which promote customers satisfaction. The results suggest that over all IBS customers are mostly satisfied with the Islamic banking services been provided to them and the banking efficiency in their transactions except, on empathy and tangibility in term of ATM. Because from the study we got that most of the customers are not satisfied with the ATM service and location. Islamic banking needs to improve the branch and system network throughout the country in order to facilitate well in ATM services.

5.4 Recommendations of the Study

Based on the findings of the study, some recommendations are hereby put forward. These recommendations if implemented are expected to improve the existing satisfaction of the PBZ Islamic bank in Zanzibar. These recommendations are:

(i.) It is very important for growth and development of Islamic banking system that the increase in the number of its users as well as their satisfaction. To increase its account holders it is necessary to create the awareness in community about merits of Islamic banking. The role of Imams of Mosques is very important to create the awareness in the community. There is need to conduct the marketing and awareness seminars on different places and different occasions. Now a days there are many Islamic channels are working in Zanzibar if they start regular awareness transmission in their programmes' then it is really helpful to develop the Islamic banking system in the Zanzibar.

(ii.) According to my experience during the time of research I found that main and crucial Drawback in promoting customers satisfaction of Islamic banking is lack of good customer services in branch sector. They have less staff and some staff members have not enough information about how Islamic banking is working especially in investment side. They are feeling hesitation to discuss some issues that relates to fundamentals of Islamic banking. It is recommended that there is need to improve customer services on same lines of conventional banking such as customer services.
(iii.) Currently there is lack of trained, skilled and professional staff in The PBZ Islamic banking line. Islamic banking needs to hire qualified financial engineers and scholars to improve the system. Islamic banking needs to invest in teaching and training to existence staff to improve their knowledge and up to date according to current situation. This will improve customer services and helpful to promote customers satisfaction.

(iv.) Currently Islamic banking has not any specific alternative of credit cards, personal and occasional loans which fulfill the customers’ requirements to pay their daily expanses. According to my recommendations if Islamic banking wants to get popularity and business then they need to introduce the compatible financial policies and financial tools to conventional banking.
REFERENCES


Run, E. C. & Yeo, D. S. L. (n.d.). Awareness, understanding and behavior of Islamic banking: Results of a special study. *IBBM.*


APPENDICES

Appendix 1: QUESTIONNAIRE FOR CUSTOMERS OF PUPILS BANK OF ZANZIBAR ISLAMIC BANK (THE PBZ ISLAMIC BANK)

Dear Sir/Madam

This study is based at Mzumbe University. Its main objective is to examine on the “effectiveness of Islamic banking system in promoting customer satisfaction”. This study is done by taking The PBZ Islamic Bank case. Based on that, it focuses at The PBZ Islamic Bank branches at Unguja and its customers from Urban West Region. Therefore, you are kindly requested to participate in this study by filling in this short questionnaire. This questionnaire consists of four parts. There are Section A which referring to the respondents‘ demographic profiles, Section B is referring to the respondents’ awareness and perception of Islamic banking products and services, Section C is referring to the respondents‘ understanding on Islamic banking products and services and Section D is referring to the customer services/teller.

**Section A: Demographic Profile**

The following questions refer to the demographic profile of the respondents. Please provide the appropriate information by placing a (✓) in the bracket provided to represent your answer.

1. Sex of the respondent.
   - (a.) Male (              )
   - (b.) Female (              )

2. Age:
   - (a.) Less than 25 years (              )
   - (b.) 25 – 35 years (              )
   - (c.) 36 – 50 years (              )
   - (d.) 50 and above (              )
3. Highest Educational Level:
   (a.) A Level (  )
   (b.) Advance Diploma (  )
   (c.) Bachelor Degree (  )
   (d.) Master Degree and Above (  )
   (e.) Others (please specify) ____________________

4. Activity
   (a.) Student (  )
   (b.) Government employee (  )
   (c.) Private Employee (  )
   (d.) Businessman (  )
   (e.) Others (please specify) ____________________

5. For how long you have been using Islamic bank?
   __________________________________________________________
   __________________________________________________________
   __________________________________________________________

Section B
For the following questions, please answer by placing a (√) in the box provided.

Awareness of Islamic Banking Products and Services
1. (b.) Are you aware of the products or services which are offered by PBZ Islamic Bank?
   (a.) Yes (  )
   (b.) No (  )
(b.) Which of the following Islamic banking products and services are you aware of?

<table>
<thead>
<tr>
<th>Products and Services</th>
<th>I am aware</th>
<th>I am not aware</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Deposit Products</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>i. Current (Wadiah / Qard) Deposit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ii. Savings (Wadiah / Qard) Deposit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>iii. Investment (Mudaraba) Deposits</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Financing Products (Equity-Based)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>i. Trustee Partnership (Mudaraba) Facility</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ii. Joint Venture (Musharaka) Facility</td>
<td></td>
<td></td>
</tr>
<tr>
<td>iii. Declining Partnership (Musharaka) Facility</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Financing Products (Debt-Based) – I</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>i. Deferred Payment (Bai-Bithaman-Ajil)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ii. Cost-Plus Sale (Murabaha) Facility</td>
<td></td>
<td></td>
</tr>
<tr>
<td>iii. Leasing (Ijara) Facility</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Financing Products (Debt-Based) – II</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>i. Deferred Delivery Sale (Salam) Facility</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ii. Manufacture-Sale (Istisna) Facility</td>
<td></td>
<td></td>
</tr>
<tr>
<td>iii. Recurring Sale (Istijrar) Facility</td>
<td></td>
<td></td>
</tr>
<tr>
<td>iv. Benevolent Loan (Qard) Facility</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Fee-Based Products</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>i. Letter of Credit (Wakala)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ii. Letter of Guarantee (Kafala)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Section C: Perceptions towards Islamic Banking

Please CIRCLE one number according to the following 5-point Linker scale, with 1-Strongly Disagree and 5- Strongly Agree that best describe your level of argument with the following statements.

<table>
<thead>
<tr>
<th>No</th>
<th>Statements</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>There is a very high expected of Islamic banking products in Zanzibar.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2</td>
<td>Islamic banks are able to compete with conventional banks.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>3</td>
<td>Islamic banks could provide lower cost products and services compared to conventional banking.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>4</td>
<td>Returns on Islamic banks deposits account are higher than the returns on conventional banks deposits account.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>5</td>
<td>Islamic banking is available for Muslims as well as non-Muslims</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

Section D: Understanding on Islamic Banking System and Operations

Please CIRCLE one number according to the following 5-point Linker scale, with 1-Strongly Disagree and 5- Strongly Agree that best describe your level of argument with the following statements.

<table>
<thead>
<tr>
<th>No</th>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Islamic banking is the conduct of banking operations according to Sheriah Law.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2</td>
<td>Islamic banking prohibits interest in all forms of transactions.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>3</td>
<td>Islamic banks only invest in businesses that are not prohibited by Islam or halal businesses</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>4</td>
<td>Islamic banks have not done enough in marketing their products to the public.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>5</td>
<td>Each Islamic bank should have a Sheriah Supervisory Board to ensure that all business activities are in line with Sheriah requirements.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>
SECTION E: Customer Service Representatives

1. (a.) Are you satisfied with the service you received from employee of The PBZ Islamic Bank?
   (i.) Yes ( )
   (ii.) No ( )

(b.) If the answer in (a) above is Yes, please tick (✓) on appropriate to show how satisfied were you with the following services?

<table>
<thead>
<tr>
<th>No</th>
<th>Very satisfied</th>
<th>Satisfies</th>
<th>Neutral</th>
<th>Dissatisfied</th>
<th>Very dissatisfied</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Willingness to listen and respond to your need</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Recognition of you as valued customer</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Fast and efficient service</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Clean &amp; well cared facilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Automatic bank machines in convenient locations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Offer of other services or alternative means to meet your needs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Appendix 2: QUESTIONNAIRE FOR EMPLOYEE OF PUPILS BANK OF ZANZIBAR ISLAMIC BANK (THE PBZ ISLAMIC BANK)

This message should be read before you fill out this questionnaire:

Dear Sir/Madam

I would like to assure you that any information you provide will be kept highly confidential between us and will be used for the purpose of this study only and does not affect your employment. Please feel comfortable providing truthful and honest answers without any fear about their use or the violation of their confidentiality.

This study is based at Mzumbe University. Its main objective is to examine on the “effectiveness of Islamic banking system on promoting customer satisfaction”. This study is done by taking The PBZ Islamic Bank case. Based on that, it focuses at The PBZ Islamic Bank branches at Unguja and its customers from Urban West Region.

Therefore, you are kindly requested to participate in this study by filling in this short questionnaire. This questionnaire consists of four parts. There are Section A which referring to the respondents’ demographic profiles, Section B is referring to the respondents’ perception of Islamic banking, Section C is referring to the respondents’ supervisors/management and Section D is referring to the respondents’ challenges.

Section A: Demographic Profile

The following questions refer to the demographic profile of the respondents. Please provide the appropriate information by placing a (√) in the bracket provided to represent your answer.

1. Sex of the respondent.
   (a.) Male (              )
   (b.) Female (              )
2. **Age:**
   (a.) Less than 25 years (              )
   (b.) 25 – 35 years (              )
   (c.) 36 – 50 years (              )
   (d.) 50 and above (              )

3. **Highest Educational Level:**
   (a.) A-Level (              )
   (b.) Advance Diploma (              )
   (c.) Bachelor Degree (              )
   (d.) Master Degree and Above (              )
   (e.) Others (please specify) ____________________

4. **What is your professional qualification?**
   ________________________________________________________________
   ________________________________________________________________
   ________________________________________________________________

5. **For how long you have been working with Islamic bank?**
   ________________________________________________________________
   ________________________________________________________________
   ________________________________________________________________

6. **In which department are you?**
   ________________________________________________________________
   ________________________________________________________________
   ________________________________________________________________


Section B: Product and Services

1. (a.) Do customers are aware of the products or services which are offered by PBZ Islamic Bank?

   (i.) Yes (   )
   (ii.) No (   )

(b.) Which of the following Islamic banking products or services do you think that customers are aware of?

<table>
<thead>
<tr>
<th>Products and Services</th>
<th>Aware</th>
<th>Not Aware</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Deposit Products</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>iv. Current (Wadiah / Qard) Deposit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>v. Savings (Wadiah / Qard) Deposit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>vi. Investment (Mudaraba) Deposits.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Financing Products (Equity-Based)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>iv. Trustee Partnership (Mudaraba) Facility</td>
<td></td>
<td></td>
</tr>
<tr>
<td>v. Joint Venture (Musharaka) Facility</td>
<td></td>
<td></td>
</tr>
<tr>
<td>vi. Declining Partnership (Musharaka) Facility</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Financing Products (Debt-Based) – I</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>iv. Deferred Payment (Bai-Bithaman-Ajil)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>v. Cost-Plus Sale (Murabaha) Facility</td>
<td></td>
<td></td>
</tr>
<tr>
<td>vi. Leasing (Ijara) Facility</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Financing Products (Debt-Based) – II</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>v. Deferred Delivery Sale (Salam) Facility</td>
<td></td>
<td></td>
</tr>
<tr>
<td>vi. Manufacture-Sale (Istisna) Facility</td>
<td></td>
<td></td>
</tr>
<tr>
<td>vii. Recurring Sale (Istijrar) Facility</td>
<td></td>
<td></td>
</tr>
<tr>
<td>viii. Benevolent Loan (Qard) Facility</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Fee-Based Products</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>iii. Letter of Credit (Wakala)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>iv. Letter of Guarantee (Kafala)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Section C: Perceptions towards Islamic Banking

Please CIRCLE one number according to the following 5-point Linker scale, with 1-Strongly Disagree and 5- Strongly Agree that best describe your level of argument to customers on the following statements.

<table>
<thead>
<tr>
<th>No</th>
<th>Statements</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>There is a very high expected of Islamic banking products in Zanzibar.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2</td>
<td>Islamic banks are able to compete with conventional banks.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>3</td>
<td>Islamic banks could provide lower cost products and services compared to conventional banking.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>4</td>
<td>Returns on Islamic banks deposits account are higher than the returns on conventional banks deposits account.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>5</td>
<td>Islamic banking is available for Muslims as well as non-Muslims</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

### Section D: Understanding on Islamic Banking System and Operations

Please CIRCLE one number according to the following 5-point Linker scale, with 1-Strongly Disagree and 5- Strongly Agree that best describe your level of argument to customers on the following statements.

<table>
<thead>
<tr>
<th>No</th>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Islamic banking is the conduct of banking operations according to Syariah Law.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2</td>
<td>Islamic banking prohibits interest in all forms of transactions.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>3</td>
<td>Islamic banks only invest in businesses that are not prohibited by Islam or halal businesses</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>4</td>
<td>Islamic banks have not done enough in marketing their products to the public.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>5</td>
<td>Each Islamic bank should have a Syariah Supervisory Board to ensure that all business activities are in line with Syariah requirements.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>
SECTION E: CHALLENGES

Please put tick (✓) to what you consider as right answer and explain where required.

1. (a.) Have you ever gone on Islamic banking training?
   (i.) Yes (              )
   (ii.) No (              )

   (b.) If the answer to the above question is Yes, then how many times have you gone on Islamic banking training?
   (i.) Once (              )
   (ii.) Twice (              )
   (iii.) Thrice and more (              )

2. In your opinion, what are the challenges facing the PBZ Islamic Banking? Please mention at least four.

   ________________________________________________________________
   ________________________________________________________________
   ________________________________________________________________

3. In your opinion, what need to be done for The PBZ Islamic Bank to effectively promoting customer satisfaction?

   ________________________________________________________________
   ________________________________________________________________
   ________________________________________________________________

4. Which products or services do you think should be offered in order to attract more customers? Please mention at least four.

   (i.) __________________________________________________________
   (ii.) __________________________________________________________
   (iii.) __________________________________________________________
   (iv.) __________________________________________________________