

**AN ASSESMENT OF THE DETERMINANTS OF CUSTOMER SATISFACTION WITH  
IJARAH WAL IQTINA HOME FINANCING OF JAI'Z BANK IN KANO  
METROPOLIS**

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**Being a Dissertation Submitted to the International Institute of Islamic Banking and  
Finance, Bayero University Kano in Partial Fulfillment of the Requirements for the Award  
of M.Sc Degree in Islamic Banking and Finance.**

**May, 2017**

### **CRTIFICATION**

This is to certify that this research work and its subsequent preparation by Usama Gali Abdullahi (SPS/13/MIF/00018) was conducted under my supervision.

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Prof. Nasir A. Ahmad  
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Date

## **DECLARATION**

I, Usama Gali Abdullahi, solemnly declare that this dissertation is the outcome of my independent effort, supervised by Prof. Nasir A. Ahmad. It has never been submitted elsewhere for the award of a degree. All sources consulted have been duly acknowledged and reported under the required sections.

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Date

## **DEDICATION**

This research work is dedicated to my late father Mal. Muhammad Gali Abdullahi and my beloved mother, my heroine, Hajiya Amina Bashir, who in the absence of my father has taken his role to ensure that I succeed in life. May Allah Almighty reward them with the highest abode in Jannatul Firdausi, Ameen.

## APPROVAL

This is to certify that this dissertation has been read and approved as having met the partial fulfillment of the requirements for the award of the degree of Master of Science (M. Sc.) in Islamic Banking and Finance at International Institute of Islamic Banking and Finance, Bayero University, Kano.

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## ***Abstract***

*The objective of this study is to investigate the determinants of customer satisfaction with ijarah wal iqtinah home financing of Ja'iz Bank in Kano Metropolis. The problem of the study is lack of model that will add value to the Islamic banking and marketing literature called SECRAS that was not in existence before in order to measure the determinants of customer satisfaction of ijarah wal iqtinah home financing. Primary data collection technique was used and a total of 113 customers are considered for data analysis. The study employed multiple regressions and Pearson's correlation in analyzing the data. It was revealed that SECRAS model dimensions are statistically significant in measuring customer satisfaction. It was concluded that Shari'ah compliance is the most influential determinants of customer satisfaction of ijarah wal iqtinah home financing. This is followed by rental payment affordability, customer's equity contribution, spreadability of the payment and lastly eases of accessibility. The study recommended that Jai'z Bank management should consider all the SECRAS dimensions in order to meet with customer's expectation with regard to ijarah wal iqtinah,home financing.*

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# CHAPTER ONE

## INTRODUCTION

### 1.1 Background to the Study

Islamic finance is growing rapidly in fulfilling the financial needs of Muslims consumers worldwide. Islamic finance has huge growth potentials, with Muslims representing a significant proportion of the global population all over the world. The core principles that govern Islamic banking are mutual risk and profit sharing between parties, the guarantee of fairness based on an underlying business activity or asset. Islamic finance is built on the principle of extending tenets of Islamic religious belief to economic activity in order to achieve social welfare. Islamic contracts are normally grounded on asset-based and it must comply with the Islamic law (*Shari'ah*) which prohibits elements of and non-halal activities.

According to Warde (2000) and Gait and Worthington (2007) modern Islamic finance began in the early 1970s. Most large financial institutions are involved in Islamic finance as they supply financial tools in over 75 countries. The Islamic banking system was introduced due to the fact that there was the need of financial institution for Muslim customers who could satisfy their needs and demands in accordance with the tenet of their religious belief.

Islamic banking system has emerged as a competitive and a viable substitute for the conventional banking system during the last three decades. Islamic banking refers to a system of banking that complies with Islamic law. Non-halal activities that involve *riba* (interest), *maisir* (gambling) and *gharar* (speculative) activities are prohibited. Islam is a complete way of life. Therefore, Islamic religious perspectives over businesses go beyond its profitability and survival but it is considered as *ibadah* with the intention to get the blessings of *Allah*.

According to Meera and Abdul Razak (2005) and Osmani and Abdullahi (2010) home financing is a noteworthy segment of investment in the present banking practices. Islamic banks adopt several products to keep themselves free from *riba* (usury). As a substitute product to conventional housing loan, Islamic financial institutions (IFIs) have introduced the Islamic home financing. Although most people, especially the consumer, assume that the product is a mirror of conventional housing loan product, Islamic home financing has its own peculiarities. In the conventional system, housing loan is simply giving a loan to the customer. The product is interest-driven, with the interest charged to the customer over the period of payment. Islamic home financing is an alternative financial product to substitute conventional interest-based home financing mode.

Mortgage financing, otherwise known as home financing, is a product through which people are made or become home owners. It is a practice that is widely or relatively embraced by financial institutions as well as the private individuals (group of people). It is a subtle scheme that guarantees convenient home ownership through loan agreement. But in the same vein, it is seen generally beyond this perspective; a financing scheme through which desired property is acquired via the repayment process (Funmilola, 2011).

The practice of Islamic Mortgage Financing in Nigeria is relatively at its nascent stage as, just like the Islamic Banking operation, it started with the emergence of *Ja'iz* Bank Plc. in 2011 becoming the first Islamic bank in Nigeria and this led to developing various products to serve the yearning needs of the countries' population, the majority of whom are Muslims.

Unlike a conventional mortgage where the purchaser borrows money from a lender which is then repaid with interest, Islamic home financing is based upon the Islamic finance principles (Al Rayan Bank, 2017). The modes of home financing are *bai' bithaman ajil* (BBA, deferred

payment sale), *musharakah mutanaqisah* (MM, diminishing partnership) and *ijarah wal iqtinah/ijarah muntahia bittamleek* (IMB, lease to own). BBA is a facility provided by the financier, which is the bank, to a customer to own a house, over a tenor of financing. The financier initially buys the house from the customer at a price equal to the financing amount and sells it back to the customer, at a price plus profit margin (Meera & Abdul Razak, 2005).

Asian Institute of Finance (AIF, 2013) presents definition of MM by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), as a form of partnership in which one of the partners promises to buy the equity share of the other partner gradually until the title to the equity is completely transferred to him. This transaction starts with the formation of a partnership, after which buying and selling of the equity take place between the two partners. It is therefore necessary that this buying and selling should not be stipulated in the partnership contract. In other words, the buying partner is allowed to give only a promise to buy. This promise should be independent of the partnership contract. In addition, the buying and selling agreement must be independent of the partnership contract. It is not permitted by the *Shari'ah* that one contract be entered into as a condition for concluding the other.

Home financing in form of IMB is one of the thriving and profitable products. Looking at the *Ja'iz Bank's* annual report 2014. *Ja'iz* home financing (JHF) is a product designed from the rules of *ijarah wal iqtinah* (lease to own). Based on this product, the bank purchases, constructs or completes the construction of a house. It thereafter leases the house to a customer. The customer pays an agreed rent over negotiated period of time, monthly, quarterly, biannual or annually. When the customer pays the last installment, the bank transfers ownership of the home to him (Ahmad & Idris, 2015). According to Shahwan, Mohammad, and Abdul Rahman, (2013) home

financing is regarded as one of the most influential investment since it normally affects long term commitment of the customers.

Customer satisfaction is a measurement of how products supplied by bank meet or exceed customer's expectation. If customer expectation is realized then satisfaction will occur and customer will increase the transaction and convinces others to engage through positive recommendation (Lee & Slau, 2001). In addition, in banking business many banks depend on their original customers and give them maximum satisfaction; because customer's 'positive recommendations through word of mouth serves as an advertisement to other people to transact with them. Customer satisfaction is seen as a key performance indicator within a business cycle (Mustapha, 2012). Firm's future profitability depends on satisfying current customers. There is a significant relationship between customer satisfaction and return on assets. High quality leads to high levels of customer retention, increase in loyalty, and positive word of mouth, which in turn are strongly related to profitability (Lee et al. 2016)

Therefore, this study examines the determinants of customer satisfaction of *ijarah wal iqtinah* home financin of Jaiz Bank of Kano metropolis, this is the main thrust of the study.

and assesses the strength and the determinants of customer satisfaction in *ijarah wal iqtinah* home financing of *Jai'z* Bank of the Kano Metropolis which are the main thrust of the study.

## **1.2 Statement of the Research Problem**

Nigeria needs a minimum of N56 trillion to bridge the country's 17 million housing units deficit. The shortfall, which did not cover the cost of providing infrastructure, translated to an average cost of N3.5 million per housing unit to remedy the situation. If this task is achieved, it would improve on the nation's prevailing home ownership rate of 25 per cent. The challenges facing settlements as the demand for infrastructure, basic services and housing was on the



increase; adding that housing associated facilities were grossly inadequate, with millions of Nigerians living in substandard environments or slums plagued by squalor and lacking basic amenities of life (Baffour, 2014).

Kano is facing continuous and large scale rural- urban migration being the center of commerce. As a result, there emerged large pockets of slums. According to NREH (2015) and Kano State Investors' Handbook (2013) the housing crisis is particularly acute in the northern regions, including Kano state. The effort made by the state government in building three mega cities of Kwankwasiya, Amana and Bandirawo (the names are now changed to Sheikh Ja'afar Mahmud Adam, Sheikh Nasiru Kabara and Sheikh Khalifa Isyaka Rabi'u) from 2011-2015 indicates urgent need to address the dwindling home deficit in Kano state. The effort seems to be unsuccessful as the houses remain vacant due to the public outcry over high cost of the homes. Kano State government has planned to construct 7,000 low cost houses at a sum of N1.8bn this year for sale to low-income earners in public, private and non-government organizations sectors in the state (Atonko, Agbese, Adibe, Ibrahim, Mohammed, Alkassim & Eyo, 2016). According to Andrew (2017), it is an anomaly for government to take on the responsibility of building houses because experience has shown that it is unsustainable in the long-run. That is why despite government effort, it's estimated that still there will be a massive housing deficit of about three million.

According to Okafor (2016), home deficit is as a result of factors such as lack of home finance in public and private institutions, double digit housing loans, high cost of building materials, inflation and population explosion. This has led to a large number of people residing in informal settlements, outnumbering those who stay in decent accommodation in high density urban areas like Lagos, Port Harcourt, and Kano (A.H.F., 2016).

There is lack of suitable (Shari'ah compliant) mortgage especially for the Muslims who are living in non-Muslim countries or a multi religious country like Nigeria to enable them purchase home in form of long term process. Most of the mortgages are conventional and Muslims disapproved anything that has to do with interest or usury because of their religious belief. As a substitute product to conventional housing loan, Islamic financial institutions have now introduced a number of Shari'ah compliant modes for home financing such as *bay' bithamanil ajil* (BBA), *musharakah mutanaqisah* (MM) and *ijarah muntahia bittamleek* (IMB) sometime referred as *ijarah wal iqtinah* (Meera & Razak, 2005).

Recently, in 2011, the first Islamic bank known as *Ja'iz* Bank started operation in Nigeria and it uses *ijarah wal iqtinah* as one of the mode of Islamic home financing. Despite that, not everybody knows about Islamic home financing and some of those who do are unconvinced and feel that it is not Islamic but rather an imitation of interest bearing conventional mortgage.

Therefore, considering how *Ja'iz* Bank is struggling to compete in the midst of conventional banks, it must focus on satisfaction strategies for home financing.

Most of the previous researches in Islamic home financing are mere issues like; legal context, theory testing, market survey without theory adaptation, qualitative study and comparative analysis. So far, to the best of my knowledge none of these studies has explored determinants of customer satisfaction in any one of the Islamic mode of home financing. This study, therefore, identifies factors that are considered to cause customer satisfaction with *ijarah wal iqtinah* home financing by the *Ja'iz* Bank. Thus, SECRAS model is developed and tested through empirical study.

### **1.3 Research Questions**

This research is conducted to answer the following research questions:

- i) What is the effect of *Shari'a* compliance on customer satisfaction with *ijarah wal iqtinah* home financing of *Ja'iz* Bank Plc.?
- ii) What is the effect of ease of accessibility on customer satisfaction with *ijarah wal iqtinah* home financing of *Ja'iz* Bank Plc.?
- iii) What is the effect of customer's equity contribution payment on customer satisfaction with *ijarah wal iqtinah* home financing of *Ja'iz* Bank Plc.?
- iv) What is the effect of rental payment affordability on customer satisfaction with *ijarah wal iqtinah* home financing of *Ja'iz* Bank Plc.?
- v) What is the effect of spreadability of payment on customer satisfaction with *ijarah wal iqtinah* home financing of *Ja'iz* Bank Plc.?

#### **1.4 Research Objectives**

The study's broad objective is to assess the determinants of customer satisfaction with *ijarah wal iqtinah* home financing by the *Ja'iz* Bank in Kano metropolis. The specific objectives are stated as follows:

- i) To examine the effect of *Shari'a* compliance on customer satisfaction with *ijarah wal iqtinah* home financing of *Ja'iz* Bank Plc.
- ii) To examine the effect of ease of accessibility on customer satisfaction with *ijarah wal iqtinah* home financing of *Ja'iz* Bank Plc.
- iii) To determine the effect of customer's equity contribution payment on customer satisfaction with *ijarah wal iqtinah* home financing of *Ja'iz* Bank Plc.
- iv) To examine the effect of rental payment affordability on customer satisfaction with *ijarah wal iqtinah* home financing of *Ja'iz* Bank Plc.

- v) To determine the effect of spreadability of payment on customer satisfaction with *ijarah wal iqtinah* home financing of *Ja'iz* Bank Plc.

### **1.5 Research Hypothesis**

- i) *Shari'a* compliance has no significant effect on customer satisfaction with *ijarah wal iqtinah* home financing of *Ja'iz* Bank Plc.
- ii) Ease of accessibility has no significant effect on customer satisfaction with *ijarah wal iqtinah* home financing of *Ja'iz* Bank Plc.
- iii) Customer's equity contribution payment has no significant effect on customer satisfaction with *ijarah wal iqtinah* home financing of *Ja'iz* Bank Plc.
- iv) Rental payment affordability has no significant effect on customer satisfaction with *ijarah wal iqtinah* home financing of *Ja'iz* Bank Plc.
- v) Spreadability of payment has no significant effect on customer satisfaction with *ijarah wal iqtinah* home financing of *Ja'iz* Bank Plc.

### **1.6 Significance of the Study**

Measurement of customer satisfaction cannot be ascertained unless the dimensions affecting customer satisfaction are examined. Banks will not be able to serve their customers unless they are aware of the expectation of their customers. This expectation might be known from the various dimensions of customer satisfaction in Islamic mortgage. This necessitates an in-depth study on the factors affecting customer satisfaction on Islamic mortgage. Previous study have explored the factors that affects the degree of customer satisfaction on overall Islamic banking products and services. Thus, this study developed new model termed as SECRA (The acronym was coined from the objectives of the study based on the order of appearance) that captures five dimensions in measuring customer satisfaction on Islamic mortgage. Therefore, this research

bridged this gap and serve as a pioneer work in the area of Islamic market and Islamic banking mortgage. This study is significant considering its outcome in guiding the management of Ja'iz Bank in the service delivery of Islamic mortgage financing to align with the customers' needs and expectation.

### **1.7 Scope and Limitation of the Study**

This study surveyed customers of *Ja'iz* Bank Plc. in Kano metropolis who are utilizing *ijarah wal iqtinah* home financing at the Bank's five branches; Tafawa Balewa Road Branch, Bello Road Branch, Kabuga/B.U.K. Branch, Zoo Road Branch and Hotoro Road Branch in the year 2017. The aim was to assess the validity of the constructs as determinants in measuring customer satisfaction with *ijarah wal iqtinah* home financing. This study found it difficult to lay hands on similar empirical studies in order to guide it. Similarly, there is no model that captured the constructs or measure one specific product in Islamic banking but all they do is measuring overall products and services of Islamic banks using either CARTER or SERVQUAL model.

### **1.8 Profile of Ja'iz Bank PLC**

*Ja'iz* Bank Plc. was created out of the former *Ja'iz* International Plc. which was set up in 2003/2004 as a special purpose vehicle (SPV) to establish Nigeria's first full-Fledged Non-Interest Bank. It is an unquoted public company owned by over 20,000 shareholders spread over the six geographical zones of Nigeria. The bank obtained a Regional operating license to operate as a Non-Interest Bank from the Central Bank of Nigeria on the 11th of November 2011 and began full operations as the first Non-Interest Bank in Nigeria on the 6th of January, 2012 with 3 branches located in Abuja FCT, Kaduna and Kano. The Regional license allows the Bank to operate geographically in all part of the country. Currently, *Ja'iz* Bank is the only full-fledged Non-Interest (Islamic) Bank in Nigeria. It started with only three branches in 2012 and had since

expanded its branch network to 17 with additional 10 scheduled for opening. It has also applied to the regulatory body for a National Operating license which will enable it to operate in all parts of the Federation. The bank's ultimate objective is to expand beyond the shores of Nigeria in line with its vision (*Ja'iz Bank*, 2014).

### **1.9 Outline of the Study**

The study is divided into five chapters; chapter one provides general background to the study, identifies the problem, states the research questions, states research hypothesis, enumerates the research aims and objectives, explains the significance of the study, spells out the scope and limitation, gives an introduction of the case study, as well as outline of the study. Chapter two consists of the conceptual, theoretical as well as empirical literature on the subject matter (An Assessment of the Determinants of Customer Satisfaction with *ijarah wal iqtinah* Home Financing of *Jai'z Bank* in Kano Metropolis). Chapter three presents population of the study identifies sample and sampling technique, method of data collection. The last chapter contains summary, conclusion and recommendations.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Introduction

This chapter reviews conceptual definition of customer satisfaction, customer satisfaction theories, housing deficit in Nigeria and provide empirical and related studies on determinants of customer satisfaction in Islamic banking.

#### 2.2 Conceptual Literature.

Under conceptual literature, the definition of customer, customer satisfaction and Islamic banking, *Shari'ah* compliance, ease of accessibility, equity contribution, rental payment affordability and spreadabilty of the payment are discussed.

##### 2.2.1 Concept of Customer

Customer sometimes known as a client, buyer, or purchaser is the recipient of a good, service, product, or idea, obtained from a seller, vendor, or supplier for a monetary or other valuable consideration (Lee & Slau, 2001). In a nutshell, a customer in the banking context is the user or patron of banking products and services.

##### 2.2.2 Customer Satisfaction and Islamic Banking

According to Oliver (1997), **customer satisfaction** is a judgment that a product or service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfillment. Customer satisfaction is the feeling or attitude you have when your needs as a customer are fulfilled and meeting the customer's expectations for key service quality attributes lead to overall satisfaction with service. A satisfied customer will repeat the purchase of the product and, will tell other potential customers positive things about the service

(Patterson & Spreng, 1997; Metawa & Almossawi, 1998). Consequently, satisfaction is considered an antecedent of future intentions (Cronin & Taylor, 1992). In turn, measuring customer satisfaction can provide managers with relatively reliable indicators of future customer support for their services (Estiri, Hosseini, Yazdani& Nejad 2011).

Customer satisfaction is a post consumption evaluation or a pleasurable level of consumption-related fulfillment (Henning-Thurau & Thurau, 2003). Customer satisfaction entails customer needs and expectations being met all the time, every time throughout the life of a product or service (Gustafsson, Johnson & Ross, 2005). Satisfaction is a person's feeling of pleasure or disappointment resulting from comparing a product's perceived performance or outcome in relation to the person's expectations (Kotler, Armstrong & Cunningham, 2002). As the definition indicates, satisfaction is a function of perceived performance and expectations. The term 'customer satisfaction' is a subjective, non-qualitative term. Customer satisfaction results from either the quality of banking services (product), quality of service, engagement of the customer, price factors and meeting or exceeding customers' expectations, consuming products and services (Prabhakar, 2005). If the performance of a bank falls short of these expectations, the customer tends to be dissatisfied. If the performance matches expectations, the customer is satisfied. If the performance exceeds expectations, the customer is delighted. Only delighted customers or highly satisfied customers stay loyal to the services provided (Salmen & Muir, 2003).

Satisfaction reinforces positive attitudes toward the brand, leading to a greater likelihood that the consumer will repurchase the same brand. Dissatisfaction results when consumer expectations are not met. Such disconfirmation of expectations is likely to lead to negative brand attitudes and lessens the likelihood that the consumer will buy the same brand again. As



customers feel more satisfied with services, they will be more likely to repurchase and encourage others to use the products or services by word-of-mouth (Mburu, Zyl & Cullen, 2013).

According to Ali and Sarkar (1995) and Rahman and Anwar (2016) defined **Islamic banking** as a financial institution whose status, rules and procedures expressly state its commitment to the principle of Islamic *Shari'ah* and to the banning of the receipt and payment of interest on any of its operations. Islamic banking are working on two basic principles i.e. doing their business on profit and loss sharing principle and to avoid interest in making receipt and payment in their business transaction.

Islamic banking is an important invention in the banking industry because majority of Muslims are not willing to work with conventional bank as interest is prohibited in Islam and conventional bank are doing interest base banking. This new banking system was more acceptable for Muslims world and growing their market share in the industry. Due to the achievements of Islamic banks, other key international banks also start Islamic banking window to attract new customer (Rahman & Anwar, 2016).

Rahman and Anwar (2016) further added that in order to satisfy your customer, banks should know what the customers want from them. Customer satisfaction is nothing but just feelings held by customer when his needs are fulfilled. Religious perspective is the significant factor identified to cause customer satisfaction. A study conducted by Metawa and Almosawi (1988) found that people take two main factor into consideration while selecting bank. Bank working on Islamic law and rate of return and profitability. Dasuki and Abdullah (2006) has also found religious factor as key factor in bank selection process of a customer. Previous studies such as Rizwan, Yaseen and Husain (2014); Ashraf (2014) also found positive effect of religious perspective on customer satisfaction and loyalty. However, it is also observed that only religious perspective is

not alone important for customer satisfaction. A bank working on Islamic law and having superior quality service and cooperative staff will lead to customer satisfaction and will win customer loyalty (Rahman & Anwar, 2016).

Other factors were identified in measuring customer satisfaction. This is because unless the dimensions affecting customer satisfaction are determined, it is not possible to conduct a research and assess customer's satisfaction.

Abbas, Hamid, Joher and Isma'il (2003) identified staff factor as one of the most important factors that customers use to select an Islamic bank. They argued that, incompetence and lack of courtesy of the bank's personnel, was the major reason why customers turn away from Islamic finance. Indeed, sufficient knowledge in various Islamic banking instruments compounded with other relevant aspects such as ethics, professionalism, duties and responsibilities towards customers and organizations will enhance efficiency and smooth-running of Islamic banking. Adequate personnel training also boosts the quality of Islamic banking staff which eventually may influence and attract more customers into choosing Islamic financing as their preferred choice. Similarly, Haque, Osmani and Ismail (2009) mentioned that provision of high standard of service quality may manage to increase customer satisfaction. The quality of services includes factors like treating customers with courtesy and respect, staff ability to convey trust and confidence, efficiency and effectiveness in handling any transaction, and knowledgeable and preparedness in providing solutions and answers concerning Islamic bank's products and services.

According to Yousuff and Azurah (2006) Image and bank's reputation is another factor considered by customers in dealing with a bank. Customers would only switch to other bank if they feel convinced that the quality of its products and services were more superior.

Dusuki and Abdullah (2007), Tan and Chua (1986) and Metawa and Almosawi (1998) found factors such as a convenient location, accessibility of the banks, location, convenience such as available parking space and interior comfort reward extended by the banks have been identified as critical factors in obtaining customer satisfaction.

### **2.2.3 Concept of *Shari'a* Compliance**

*Shari'a* compliance is the major factor that determines and drives satisfaction in Islamic banking. It refers to the state in which a product complies with the *Shari'a* rules and regulation. The product must be free from defects and other prohibited element of commercial practices such as; gambling, uncertainty, cheating, exploitation etc. Gambo (2013) and Abdul-Razaq (2008) reported that non-interest nature of Islamic bank is the motivating factor that attracts customers to *Ja'iz* bank.

### **2.2.4 Concept of Ease of Accessibility**

Ease of Accessibility refers to getting access to the product of *ijarah wal iqtinah* home financing without difficulty. This could be achieved by simplifying the process and giving cordial attention to the customers by the bank staff in the course of initiating and executing the contract.

### **2.2.5 Concept of Customer's Equity Contribution**

Customer's equity contribution is the amount of money paid as a token contribution by the customer to kick start the contract of *ijarah wal iqtinah* home financing. The essence of this is to bind and commit the customer to the contract as means of mitigating risk of customers' disengagement. Normally, the house/home is jointly financed between the bank and the customer where the bank pays the larger share normally 80% of the total as part of its equity contribution in the purchase, building or completion of the house and the customer usually pays 20%. Therefore, the less customer pays as part of his equity contribution, say like 15% or 10%, as

obtainable in some other Islamic banks, i.e. Meezan Bank's "Easy Home" scheme, in Pakistan is 85%, Kuwait finance house Malaysia Berhad (KFHMB) is 90%, while *Alburaq Shari'ah*-compliant home financing is 90% the higher satisfied or delighted he might be.

### **2.2.6 Concept of Rental Payment Affordability**

Rental payment affordability is the rent paid by the lessee to the lessor for the use of the home during a specified period of time. The rent is said to be affordable if the bank charges reasonable amount in consideration with the rent of other similar homes around. When customer of *ijarah wal iqtinah* home financing finds it affordable it will ensure prompt rental payment and cause customer satisfaction.

### **2.2.7 Concept of Spreadability of the Payment**

Spreadability of the rental payment refers to the number of years taken to complete the contract i.e. leasing contract that expires in five or more years will bring more comfort and satisfaction to the lessee in settling the payment than a leasing contract that expires in one or two years.

## **2.3 Home Deficit in Nigeria**

In Nigeria, neither the government nor the private sector provides sufficient housing delivery (A.H.F. Year Book, 2015). According to Baffour (2014), available data for 2014 from the World Bank and the National Bureau of Statistics agree that Nigeria has an estimated housing deficit of over 17 million units, with a population of almost 180 million. Similarly, according to the data from the United Nations, there is an annual population growth rate of 2.8 per cent as of 2015 and an annual urban population growth rate of 4.7 per cent. This shows an urgent need for more homes.

Similarly, the global trend shows that the world is experiencing a housing crisis and various countries, especially in the global south, have approached the issue with the urgency it requires.

According to UN statistics, about 1.6 billion people live in substandard housing globally, while over 100 million are homeless. Nigeria hosts an uncomfortably large percentage of these two, with over 100 million Nigerians considered to live in substandard housing (Ogolo, 2016).

Olaitan (2014) discusses Nigeria's diverse housing problems revolve around overcrowding and slum housing. According to him, many Nigerians cannot afford decent homes. They live in contraptions that can only be called "Shelter" and not "Housing". Government over time has intervened in the housing sector by increasing housing stock through the construction of housing estates. It has also done the same through its mortgage institutions, facilitating the disbursement of housing loans. These measures have done little to address the situation. On the other hand, houses provided by the private sector operators are out of the economic reach of even the medium income earner. An effective and realistic strategy for providing decent houses in decent environments at affordable prices is therefore crucial.

For the majority of Nigerians, mortgage finance is not an option due to the lack of a robust system. Nigeria has a low homeownership rate of 25 percent, lower than that of Indonesia (84 percent), Kenya (73 percent), and South Africa (56 percent) (A.H.F., 2016). Nigeria's housing problems are severe, even by continental parameters. For instance, according to the Ministry of Finance statistics, Nigeria's size of mortgage finance (as a share of Gross Domestic Product) is 0.5%; compared to 2% for Ghana and same 2% for Botswana. Nigeria's abysmal ranking on the mortgage finance scale show that the several mortgage financing initiatives by successive governments in the country have failed (Ogolo, 2016).

Ogolo (2016) further said that high cost of skilled labor, building materials and an expensive cumbersome process of processing land documents and registering a property are issues that make Nigeria the most expensive country to build house. Referencing the World Bank's Doing

Business 2016 Report, Nigeria ranks 181 out of 189 economies in the “Registering Property” index.

According to A.H.F., (2016), it is clear that the mortgage finance industry in Nigeria is still in its infancy, primarily targeting middle income earners and largely excluding low income earners. The Federal and State governments are consciously trying to bridge this gap through initiatives and funds – focusing on affordable and mass housing schemes, and to improve accessibility to mortgage finance. There are 35 Primary Mortgage Banks (PMBs), and 19 registered banks which also offer mortgages. Interest rates are high and vary considerably from bank to bank. As at July 2016, prime mortgage rates among commercial banks ranged from 11 percent to 27 percent, and maximum mortgage rates ranged from 18 percent to 31 percent. For leading commercial banks offering mortgages, a down payment is required of 25 percent, on average, of the property value, and a repayment term that ranges from 10-20 years.

Ogolo (2016) further states that the economic growth is non-inclusive and this has impacted on the housing deficit that Nigeria suffers. In 1993 the Nigerian Bureau of Statistics (NBS) reported that Nigeria’s real estate markets contributed only 6.82% to the real GDP in quarter one of 2014; down from 8.37% in the preceding quarter. However, stakeholders agree that the country’s real estate growth is impressive; with PricewaterhouseCoopers (PwC) projecting, in its report – „Real Estate: Building the future of Africa“, – that Nigeria’s real estate investment will rise by about 49%, from USD9.16 billion to USD13.65 billion in 2016.

Baffour (2014) mentions that the government’s effort intended to establish the Nigerian Mortgage Refinance Corporation (NMRC) to provide funding for the housing and construction sector on the Public-Private Partnership (PPP) initiative, Nigerian commercial banks and savings and loans institutions, along with the World Bank's commitment to providing concessional

credits of \$300 million would help a lot in reducing housing deficit. Similarly, the 66 billion naira earmark for housing by the new administration shows the level of Government's commitment and interest to shrink housing deficit in Nigeria. NMRC, as an intervention medium, is expected to encourage access to mortgage loans from financial institutions which is currently at 2.5 per cent above the Federal Government borrowing benchmark. Although government established NMRC to fight the scourge, little is being reaped there from (Nweke, 2016).

According to Atonko et al. (2016), the 2016 budget has moved capital spending from mere 10 percent in 2015 to 30 percent implying that the construction sector might be busier this year than it was last year in each of the state of the federation and the Federal Capital Territory.

In order to overcome the problem of housing deficit, Ogolo (2016) made a suggestion that to encourage more investors, Nigeria's policy makers need to ensure that access to long-term finance is guaranteed to enable investors attract consumers from the upper end of the market that play in the prime real estate sector. The gaps in government-run infrastructure would also need to be plugged to guarantee efficient urban development. Roads, electricity, security, etc. are significant areas that the government would need to invest in order to ensure that developers and clients enjoy best practiced residential and commercial property standards.

Ogolo (2016) added that the government would also need to promote favorable macroeconomic policies which will in turn encourage private sector investors to partner with her in providing low-cost mass housing. These policies must result in low interest rates, stable exchange rates and low inflation to encourage investors move into mass housing projects and low-income earners move from rented (substandard in most cases) housing to their own affordable mortgage-enabled homes. These policies, in conjunction with a broader economic growth stimulation that results in

lifting more Nigerians above the poverty line, will make low-cost housing actually affordable for the low-income earner.

According to Andrew (2007), it is imperative that government provides mortgage insurance to first time home buyers who do not have credit history and to low-to middle income families in order to achieve provision of affordable homes. The Nigerian Federal Housing Authority (FHA) could be restructured to become the government sponsored entity that will be responsible for providing mortgage insurance while the Federal Mortgage Bank of Nigeria (FMBN) can pool the insured mortgages and sell them in the capital market to provide liquidity.

Olaitan (2014) suggests that processes for land acquisition, construction permits and property registration must also be simplified and automated in line with global best practice. In extreme cases, prospective property owners have had to wait years to secure required approvals and documentation. Controversial legislation such as the 1978 Land Use Act and the 2012 National Housing Policy must be revisited to tackle areas of their implementation that stifle the growth of the real estate sector.

Creating more awareness and spreading branches across the country by *Ja'iz* Bank's Islamic home financing (which is 0-interest) to those that the bank did not reach so far and are not willing to take mortgage financing with interest will certainly help a lot in reducing the housing deficit.

#### **2.4 .1 Islamic Leasing (*Ijarah*)**

The word *ijarah* is derived from *Al-ajr*, which literally means compensation, substitute, and consideration, return or counter value (Ahmad & Idris, 2015). *Ijarah* simply means leasing or hiring of either a real estate or movable assets. It is a type of transaction whereby one party to the contract sells the usufruct of an object and the other party pays rent in return (Abdullahi, 2013).



A lease agreement is defined by Lease rope as “a contract between a lessor and lessee, for the hire of a specific asset. The lessee has possession and use of the asset on payment of specified rentals over a period” (Abdellatif, 2014).

Scholars of the four schools of Islamic jurisprudence (Hanafi, Maliki, Shafi’i and Hanbali) have cited various definitions of the contract of *ijarah*. In brief, these definitions agree on the fact that the contract of *ijarah* is a contract on using the benefits or services in return for compensation (Vejzagic, 2014).

Other Muslim scholars define *ijarah* as an agreement between two parties, one being the owner of the asset who gives possession of the assets for the right of use “usufruct” to the other party, the hirer, on an agreed rental over a mutually agreed period. The Accounting and Auditing Organization for Islamic Financial Institutions – AAOIFI also define it as “the ownership of the right to the benefit of using an asset in return for consideration”. The owner is called a lessor (*mu’ajir*), the person who uses the property is known as a lessee or hirer (*musta’jir*), the subject matter is the usufruct of the property (*manfa’ah*), and the consideration refers to a rent (*ujrah*) (Abdellatif, 2014)).

Some Scholars gave references from The Noble *Qur’an* and the Prophetic sayings (*Ahadith*) to show how legitimate *ijarah* is:

“One of the two women said: O my father! Hire him! For the best (man) that you can hire is the strong, the trustworthy. He said: I desire to marry one of these two daughters of mine to you on condition that you hire yourself to me for (the term of) eight pilgrimages. Then if you complete ten it will be of your own accord, for I would not make it hard for you. Allah willing, you will find me of the righteous” (*Qur’an* 28: 26-27).

“...Then, if they suckle for you, give them their due payment and consult together in kindness; but if you disagree, then let some other (woman) suckle for him (the father of the child)”

(*Qur'an* 65: 6).

"Then they proceeded: until, when they came to the inhabitants of a town, they asked them for food, but they refused them hospitality. They found there a wall on the point of falling down, but he set it up straight. (Moses) said: "If you had wished, surely you could have exacted some recompense for it!" (*Qur'an* 18: 77).

Hanzala b. Qais reported that he asked Rafi b. Khadija (Allah be pleased with him) about renting of land, whereupon he said: Allah's Messenger (may peace be with him) forbade the renting of land. I said: Is it forbidden (even if it is paid) in *dinar* (gold) and *dirham* (silver)? Thereupon he said: If it is paid in gold and silver, there is no harm in it (*Sahih Muslim, Kitab Al-Buyu*, Book 10, no: 3747).

Abdullah b. Umar (Allah be pleased with him) narrated that the Prophet (May peace be with him) said: “Give a worker his fee before his sweat dries up” (Al-bani, Saheeh Ibn Majah, no: 2443).

Abu Sa'eed Al- Khudri reported that the Prophet said that: “He who hires a person should inform him of his fee” (Musannaf, Adur-Razaq).

Lovells (2004) mentioned that *ijarah* is fast becoming the most popular method of property finance. It is a more flexible scheme than *murabaha* as it enables the customer to repay the mortgage early with one payment, or to make additional "overpayments" during the life of the mortgage, thus reducing the length of the mortgage.

*Ijarah* is governed by key *Shariah* principles, known as *Fiqh al-Muamalat* (Islamic rules on transactions), originating from *Quran*, *Sunnah* or *Hadith*. *Ijarah* is a mode of Islamic finance

contracts that has been growing globally in the banking and non-banking sector either directly or through independent subsidiaries (Lovells, 2004).

*Ijarah* is considered to be an asset-based rather than interest-based mode of financing compared to bank loans. *Ijarah* is commonly utilized by Islamic banks for medium to long-term asset backed financing, particularly where profit rate risk requires long-term assets to be priced in variable rates. *Ijarah* offers a number of benefits for Islamic banks, such as a secured asset backed transaction, thus reducing credit risks. Because of the good quality of the asset, the bank does not have to depend greatly on the creditworthiness of the lessee customer, since it always has the recourse of selling the asset in case of default. Leasing, especially Islamic leases, has been popular due to its versatility and various applications such as *ijarah*, *ijarah muntahia bittamleek*, *ijarah mawsufa fi al -dhimma* venture lease, agrilease, microleases and *sukuk ijarah* (Abdellatif, 2014 ). The pure *ijarah* is essentially an operating lease and there is little conflict in accounting for this (either for the lessor or the lessee) under the requirements of IAS17 (A joint report from ACCA & KPMG, 2012).

#### **2.4.2 Basic Rules of *Ijarah***

According to Ahmad & Idris (2015) the first rule of *ijarah* contract comes into effect by the parties entering into contractual agreement, such an agreement must satisfy all the principles of a valid contract under Islamic law.

Vejzagic (2014), Usmani (2016) and Ahmad & Idris (2015) mention the basic rules of *ijarah* as follows:

**Transferring of usufruct not ownership** to another person for an agreed price, at an agreed consideration. It is necessary for a valid contract of lease that the corpus of the leased property remains in the ownership of the seller, and only its usufruct is transferred to the lessee.

**Subject of lease must be valuable, identified and quantified** in a manner that abrogates ambiguity and uncertainty which lead to dispute. Only such goods and asset that are capable of providing usufruct that can be made the subject matter of *ijarah*. The usufruct of the property should be clearly ascertained and what part of it is covered by the contract (in case it provides) many usufructs.

**Consumable** things other than animals cannot be leased out (Anything which in the course of utilization of usufruct can be consume in entirety cannot be lease out; e.g., money, eatables, fuel etc.).

**All liabilities of ownership are borne by lessor;** corpus of leased property remains in the ownership of the seller. As the lessor is the owner of the asset, he is liable to pay all the expenses incurred in the process of its purchase and its import to the country of the lessor for example expenses of freight and customs duty etc.

**Term of the lease** must be determined between the lessee and lessor in clear terms at the time of contract, for example monthly, quarterly or yearly.

**Lease for specific purpose only:** If no specific purpose is identified in the agreement, then it can be used for any purpose for which it is used in normal course. However, if he wishes to use it for an abnormal purpose, he cannot do so unless the lessor allows him in express terms (Usmani, 2016).

**Lessee as Ameen:** The lessee is liable to compensate the lessor for every harm to the leased asset caused by any misuse or negligence. The leased asset shall remain in the risk of the lessor throughout the lease period in the sense that any harm or loss caused by the factors beyond the control of the lessee shall be borne by the lessor.

**Lease of jointly owned property:** Is permitted and rentals shall be distributed between all the joint owners according to the proportion of their respective shares in the property.

**The rental must be determined at the time of contract for the whole period of lease.** It is permissible that different amounts of rent are fixed for different phases during the lease period, provided that the amount of rent for each phase is specifically agreed upon at the time of affecting a lease. The determination of rental on the basis of the aggregate cost incurred in the purchase of the asset by the lessor, as normally done in financial leases, is not against the rules of *Shariah*.

**The lessor cannot increase the rent** unilaterally, and any agreement to this effect is void.

**The lease period** shall commence from the date on which the leased asset has been delivered to the lessee, it doesn't matter whether the lessee has started using it or not.

**Rent should be charged after the delivery of the leased asset** to the lessee and not from the day the price has been paid. If the supplier has delayed the delivery after receiving the full price, the lessee should not be liable for the rent of the period of delay.

**Penalty for late payment of Rent:** The lessor cannot charge an additional amount in case the lessee delays payment of the rent. Penalty of late payment is given to charity by lessee.

**Termination of Lease:** If the lessee contravenes any term of the agreement, the lessor has a right to terminate the lease contract unilaterally. If not, then it can be terminated through mutual consent only. However, in such a case he cannot charge rentals of remaining period. Furthermore, the destruction of the asset also terminates the lease.

In the event of lessees' or lessor's death, the inheritors to the decease automatically inherited the residual term. However, the parties may unilaterally or mutually bring the contract to an end if they wish not to continue with the contract.

**Insurance of the assets:** If the leased property is insured under the Islamic mode of *takaful*, it should be at the expense of the lessor and not at the expense of the lessee.

### **2.4.3 Types of *Ijarah***

*Ijarah* is of different types, and the popular among them include: Operating lease, financial lease and the last one security lease which is not to be discussed because it is found to be un-Islamic by the *Fuqaha* as mentioned by Chapra (1998):

#### **2.4.3.1 Financial Lease**

An agreement in which the corpus of leased asset is transferred to the lessee by execution of sale agreement or by gift (AIMS, 2016). The US Equipment Leasing & Finance Association defines a “finance lease as a contract involving payment over an obligatory period, of specified sums, sufficient in total to amortise the capital outlay of the lessor and give some profit.” In this case, all the risks and rewards pertaining to ownership are transferred from the lessor to the lessee, whether or not the title of the asset is transferred at the end of the lease term. The lease agreement here is set up to recover the capital pertaining to the cost of the equipment/asset as well as earn a return on the investment (Abdellatif, 2014).

According to Chapra (1998), financial lease helps to reduce the danger of misuse of the leased asset by the lessee by making the lease period long enough to amortise the cost of the asset with profit. Financial lease serves as a default security in case of default by taking possession of the asset without court order.

Some *Fuqaha* have question the permissibility of financial lease because the entire risk is shifted on the lessee and, at the end of the lease, it may turn out to be not more than outright purchase of the asset through an interest bearing loan.

Therefore, Chapra (1998) suggests that for financial lease to be Islamic it must be un-exploitative (as it seems to be). The lessor must bear the risk related to ownership. In short, financial lease must conform to the basic rules of *ijarah*.

#### **2.4.3.2 Operating Lease**

According to AIMS (2016) *ijarah* contract in which the leased asset remains in the ownership of lessor and comes back to him after the lease period. This is purely conventional; in contrast, an operating lease is any lease other than a financial lease in which all the risks and rewards pertaining to the ownership are not transferred to the lessee. The asset is not fully amortised during the period of the initial lease agreement which normally, may not be withdrawn. Most scholars distinguish between conventional leasing and Islamic leasing (Abdellatif, 2014).

#### **2.4.4 *Ijarah Wal Iqtinah/ Ijarah Muntahia Bittamleek* (IMB)**

The Words means 'leasing and acquisition' and it is variably called *ijarah wal iqtinah/ijarah muntahia bittamleek* (IMB), lease to own or 'leasing ending in ownership'. The United Bank of Kuwait, Emirate Islamic Bank Dubai, Al Baraka Turkish Finance House, Faisal Bank of Sudan, LaRiba, *Ja'iz* Bank Plc. as well as others, have applied this concept (Jibril, 2014 & Ahmad & Idris, 2015). The evolution of modern Islamic banking and finance has created another form of *ijarah* known as IMB, which is similar to a financial lease. The IMB is defined as a form of transfer of ownership of usufruct of some assets, such as buildings or equipment, for a particular period in consideration for a rental together with a unilateral undertaking by the lessor or the client that at the end of the lease period, the ownership of the leased asset can be transferred to the lessee either without any additional charge or at a nominal price or even as a gift (Abellatif, 2014).

Traditionally, *ijarah* grew as a *Shariah* compliant alternative to operating lease. Lease ending in ownership gives the seller the advantage of retaining the property under its ownership until the price is fully paid. This method was successfully applied for staff housing by Jordan Islamic Bank (Siddiqi, 2008). According to Abdellatif (2014), IMB is a variation of the theme of purchase-and-leaseback transactions. There are two contracts involved in this concept. The first contract, an *ijarah* contract (leasing/renting), and the second contract, a *bai* contract (purchase), are undertaken one after the other. When the lease period expires, the second contract comes into effect, which enables the customer to purchase the car or house at an agreed price. In effect, the lessor sells the product to the tenant, at an above market-price profit margin, in return for agreeing to receive the payment over a period of time. The profit margin on the lease is equivalent to interest earned at a fixed rate of return. Interest-based late payment penalties are considered *riba* (usury) and cannot be charged.

Abdellatif (2014) further says that the unilateral undertaking or the promise does not become an integral part of the lease contract to make it conditional. The rentals as well as the purchase price are fixed in such a manner that the bank gets back its principal sum along with profit over the period of the lease. Islamic banks and bank related leasing companies started to pay more attention to *Shariah* compliance in leasing contracts to meet the growing demand of *Shariah* adherents. Moreover, they always refer to *Shariah* advisory committees to advise them and to ensure that the operations and activities of the bank comply with *Shariah* principles.

### **2.5.1 Islamic Home Financing**

As a substitute product to conventional housing loan, Islamic financial institutions (IFIs) have introduced the Islamic home financing. Such Islamic home financing facilities are *bai bithaman ajil (BBA)*, *musharakah mutanaqisah (MM)* and *ijarah wal iqtinah* also called *ijarah muntahia*



*bittamleek* (IMB), however they vary with regard to their pricing policies (Haron, Ahmad and Planisek, 1994). Although, most people, especially the consumer, assume that the product is a mirror of conventional housing loan product, Islamic home financing has its own specialties. In the conventional system, housing loan is simply giving a loan to the customer. The product is interest-driven, with the interest charged to the customer over the period of payment (Aris, et al. 2012).

Islamic finance, unlike conventional finance, is governed by *Shariah* rules that prohibit interest-based transactions. Islamic financial transactions are also required to be accompanied by genuine underlying trade and business activities that generate fair and legitimate profits. This reinforces the close link between financial and productive flows which underpin Islamic finance, thereby insulating the Islamic financial system from risks associated with excessive leverage and speculative financial activities (Aris et al. 2012). On the other hand, home financing products offered by Islamic banks must share the risk inherent in owning the property in partnership-based financing (Yusof, Bahlous and Haniffa, 2016).

According to Meera & Abdul Razak, (2005) *bai bithaman ajil* (BBA) is among the earliest attempts in Islamic home financing products. It is by far the most predominant and widely used concept by financial institutions in Malaysia, Indonesia and Brunei. Its concept is based on deferred installment sale whereby the banks purchase the house and later sell it to the consumer inclusive of profit margin. Bank capitalizes its profit up front in the sale of the property to the customer who in turn is required to pay either fixed, variable or mixed sum until the tenure ends. It is similar to debt financing which resulted in high cost and posed a burden to one family's budget. Critics of this concept have insinuated that the BBA practiced in Malaysia is seen not to be in compliant with the *Shari'ah* principle as the bank does not take the risk of ownership and

liability on the property and thus it is not acceptable by international scholars. Besides, the reliance on interest rate as a benchmark when determining the margin to be charged defeats the interest free concept (Abdul-Razaq & Md-Taib, 2011).

According to Abdul-Razaq & Md-Taib (2011) & Aris, et al. (2012) *musharakah mutanaqisah* (MM) concept was introduced to overcome the main criticisms of BBA. It is based on an equity model different from the traditional debt-based mortgage. MM focuses on joint purchase of property between customers and banks.

Asian Institute of Finance (AIF, 2013) presents definition of MM by Accounting and Auditing Organization for Islamic Financial Institutions' (AAOIFI), as a form of partnership in which one of the partners promises to buy the equity share of the other partner gradually until the title to the equity is completely transferred to him. This transaction starts with the formation of a partnership, after which buying and selling of the equity take place between the two partners. It is therefore necessary that this buying and selling should not be stipulated in the partnership contract. In other words, the buying partner is allowed to give only a promise to buy. This promise should be independent of the partnership contract. In addition, the buying and selling agreement must be independent of the partnership contract. It is not permitted by (*Shari'ah*) that one contract be entered into as a condition for concluding the other.

Customer pays, for example, 10% as the initial share to co-own the house whilst the bank provides for the balance of 90%. Secondly, the customer promises to purchase the units of share. Thirdly, the bank leases its share (90%) in the house ownership to the customer under the concept of *ijarah*, i.e. by charging rent; and the customer agrees to pay the rental to the bank for using its share of the property. The periodic rental amounts will be jointly shared between the customer and the bank according to the percentage of shareholding at the particular time. Finally,

the customer redeems the financier's 90% portion through the purchase of shares until the house is fully owned by the customer. Bank takes ownership and assumes responsibility of the property until the financing amount is fully settled and customer takes possession of the property (Abdul-Razaq & Md-Taib, 2011; & Aris, et al., 2012).

The procedures for BBA and MM are similar, although some differences do remain. In more detail, an individual applies for BBA is entitled to 100 per cent financing. On the other hand, an individual who applies for MMA is entitled up to 90 per cent with the rest borne by the customer as a partner (Amin, 2008).

The other mode of Islamic Home financing is *ijarah wal iqtinah/ijarah muntahia bittamleek* (IBM) and, been the subject of discussion, is to be discussed in detail subsequently. Both *musharakah mutanaqisah* and *jarah wal iqtinah* have been widely acknowledged and accepted by *Shari'ah* scholars.

### **2.5.2 Description of Home Financing of *Ijarah Wal Iqtinah/Ijarah Muntahia Bittamleek* (IMB)**

Based on the discussions made by Meera & Abdul Razak (2005), Yusof et al. (2016) and Aris et al. (2012) the process of conducting *ijarah wal iqtinah* can simply be enumerated as follows:

The Islamic mortgage provider purchases the property from the vendor and enters into a future purchase agreement with the customer. The purchase price between the mortgage provider and the customer is the same price as the original purchase price.

The customer simultaneously enters into a lease with the mortgage provider / bank which details the customer's right to occupy the property during the tenure of financing.

The customer pays the mortgage provider / bank monthly payments, which are calculated so that part is applied towards the purchase of the property from the mortgage provider and part of it is rent.

The payments are fixed every 12 months. Every year the rent and repayments are reassessed and are likely to vary. Customers may purchase the property from the mortgage provider at any time by paying the bank the balance of the purchase price.

### **2.5.3 *Ijarah Wal Iqtinah* Home Financing at *Ja'iz* Bank Plc.**

*Ja'iz* Bank Plc. uses *ijarah* based products in many forms but discussion will specifically focus on *ijarah* home financing:

*Ja'iz* home financing (JHF). This product is designed from the rules of *ijarah wal iqtinah* (lease to own). Based on this product, the bank purchases, constructs or completes the construction of a house. It thereafter leases the house to a customer. The customer pays an agreed rent over negotiated period of time, monthly, quarterly, biannual or annually. When the customer pays the last installment, the bank transfers the ownership of a house to him (Ahmad & Idris, 2015). It has maximum tenor of 10 years and minimum contribution of 20% (*Ja'iz* Bank, 2016). Originally, *ijarah* doesn't require contribution from the lessee in the asset as it does in *musharakah* but in order to secure commitment and avoid violation of contractual agreement Islamic banks require lessee to make such a contribution.

*Ja'iz* Bank Lease to Own/Acquisition finance. This product is modeled from the combination of the principles of *musharaka* (partner) and *ijarah wal iqtinah* (lease to own). Through these types of contracts, the bank and customer contribute in the purchase of an asset and become the joint owners of the asset. The bank then, leases the asset to the customer. The customer makes installment payments for the rents to the extent of the share of the property owned by the bank

and also for the share of bank's ownership of the jointly owned asset. The customer acquires the complete ownership of the asset after paying the entire installment (Ahmad & Idris, 2015). This one, unlike JHF, has a maximum tenor of 5 years but has the same minimum contribution of 20% (Ja'iz Bank, 2016).

### **2.6.1 Empirical Literature**

In the course of reviewing the empirical literature, it was observed that there is no specific study on determinants of customer satisfaction with regards to *ijarah wal iqtinah or musharakah mutanaqisah or bay bithamanil ajil* home financing. However, related studies will be reported to complement the empirical literature. According to Amin et al. (2016), extant literature describes that Islamic mortgage studies are developed in five primary topics: the legal context, theory testing, market survey without theory adaptation, qualitative study and comparative analysis.

### **2.6.2 Empirical Literature of Customer Satisfaction on the Overall Products and Services of an Islamic Bank**

Estiri, Hosseini, Yazdani and Nejad (2011) examined the determinants of customer satisfaction in Iran Islamic retail banking. The authors reviewed a set of attributes which are capable of being incorporated in the measure of customer satisfaction for Islamic banks. The possibility is posed of grouping these attributes into dimensions of quality, proceeding to value various alternative structures by means of confirmatory factor analysis methodology and testing their reliability and validity. A survey questionnaire was developed to gather descriptive data about model dimensions. This questionnaire contains 34 items to measure quality of value proposition, 24 items to measure quality of value delivery and three items to measure customer satisfaction in a retail bank. Attributes included in the customer service quality component of the service quality dimension were measured with the widely used SERVQUAL instrument. The bank, which is the

context of the study, has a territory management plan which divides the Iranian retail banking market into 30 separate territories. This survey concentrates on just one territory in which the bank has around 1,800,000 accounts. Cluster sampling method, which resulted in 970 samples. According to account type and the value of accounts around 1,300 questionnaire was sent to randomly selected respondents. At the end, sample size of 950 was achieved through this process. Findings from this study revealed that service quality in Iranian banking adopting the commercial format of Islamic services has a two-factor structure: Value proposition quality and service delivery quality.

Razak and Sakrani (2013) examined the factors that influence customer satisfaction towards the quality of services by bank Islam Malaysia Berhad (BIMB). Primary data were obtained by distributing questionnaire to 50 customers who were selected based on systematic random sampling. Multiple regression analysis was used in examining the impact of service quality on customer satisfaction. The result obtained indicates that all the independent variable; reliability, assurance, responsiveness, empathy and tangibility have significant relationship with the dependent variable, which is customer satisfaction, towards the quality services provided by Bank Islam Malaysia Berhad (BIMB). The study recommends that for BIMB to remain competitive, it has to retain its high value customers. It was also suggested that the marketing manager of BIMB should seek to improve the areas where the customers were not satisfied and that customers care and customer retention programmes should be taken into consideration.

Khondaker and Mir (2011) explored the factors that affect and explained customer satisfaction in Banladeshi state owned commercial banks with a focus on customer satisfaction indicators that can influence the policy measures in shaping and refining the state owned banks which are reeling for poor quality service and management as well as corruption. The study was conducted

in two phases where 98 and 214 survey questionnaires were administered in the first and second phases respectively. In the first phase five, branches of each of four SCBs have been selected randomly where in each of the five branches five respondents were selected systematically. In the second phase, ten branches of each of the four SCBs were chosen randomly, where in each branch, six respondents were selected systematically. The study reveals that responsiveness dimension of service quality was the most important for customer satisfaction followed by physical comfort and assurance ranked third in importance. The study further reveals that inappropriate behavior and variety of services have been considered as the one that have least impact on SCB customer satisfaction. The study is expected to guide state owned commercial banks as well as foreign, private and Islamic banks to improve their level of customer satisfaction.

Gambo (2013) identifies the factors that motivate customers to deal with an Islamic bank as well as measuring customer's perception of the service quality delivery in *Ja'iz* Bank of Kano State of Nigeria. The study also assessed the customer satisfaction with the performance of *Ja'iz* Bank. Customer's responses regarding service quality were collected using CARTER model instrument through self-administered questionnaire where both purposive and convenience sampling were utilized in the study. Descriptive statistics and structural equation modeling were used for data analysis. The study reveals that non-interest nature of Islamic bank is the motivating factor that attracts customers to *Ja'iz* Bank and customer perceive the six CARTER dimensions of reliability, responsiveness, tangibility, assurance and compliance with Islamic law to be very effective and the result further indicates the overall satisfaction with the quality of services provided by *Ja'iz* Bank which shows that more than 50% of customers are either satisfied or highly satisfied with the performance of the bank. The findings can be used as a guide for bank

managers to improve crucial quality and business performance. The study recommends that *Jai'z* Bank should pursue an aggressive customer awareness campaign about Islamic banking products and their benefits to the customers.

Sabir and Ghafoor (2014) investigated customer satisfaction in the banking sector of Pakistan and examined the interrelationship between service quality, customer satisfaction and customer loyalty in the Pakistani context. Data were collected through a tested structured questionnaire from 72 respondents who were selected through simple random sampling from customers of different banks in Sahiwal, Pakpattan, Okara and Arifwala. Regression analysis was used to measure the impact of service quality on customer satisfaction and that of customer satisfaction on customer loyalty as well as measure the degree of the relationship between service quality with customer loyalty with customer satisfaction. The result of this study shows that there exists significant relationship between service quality attributes and customer satisfaction. Moreover, there also exists positive relationship between customer satisfaction and loyalty. It is concluded that service quality leads to satisfied customers and customer's satisfaction leads to customer loyalty. The study recommends that in today's global competitive environment, banks can get competitive advantage by providing superior services to their customers.

Uddin and Akhter (2012) examined determinants of customer satisfaction of banking industry in Bangladesh. The scales developed for service quality, service charge, perceived value, and customer satisfaction were tested using a diversified data set collected by a questionnaire survey in Bangladesh. Structural equation modeling (SEM), including measurement model and structural model, was employed in this study to test proposed model and hypotheses. Total 400 questionnaires were distributed to the general people who have at least one bank account. The questionnaire was distributed on random basis. And 335 responses were received, of which 322



were complete and usable. All constructs were measured using multiple items by a seven point Likert-type scale. The results demonstrated that service quality and fair service charge both have direct positive influence on customer satisfaction; they have also indirect role on customer satisfaction through perceived value. Bank managers are recommended to formulate operations and marketing strategies that focus on desires of customers to enhance level of satisfaction.

Alhemoud (2010) also studied determinants of customer satisfaction in Kuwait retail Banks, using 605 randomly distributed questionnaire to both citizen and non-citizen resident of Kuwait. He found that customers are generally satisfied with the quality of services provided by Kuwaiti banks. However, the ANOVA result of the data revealed differences in the aspects of service quality that satisfy the Kuwaiti and their non-Kuwaiti counterparts. While the Kuwaitis are thrilled with the enabling features of banking services, it is the reliability dimension that pleases the non-indigenes. The aspect of service quality that relates to competitiveness measured by interest and the likes was least valued by the respondents as reported in the study.

Wei (2013) identifies determinants of customer satisfaction in domestic retail banking sector. Specifically, the study assesses the impact of independent variables (service quality, corporate image, perceived value, price of services and relationship marketing) on dependent variable (customer satisfaction in domestic retail banking sector). The research instrument used in this research is self-administered questionnaires. Using convenience sampling, a total of 250 sets questionnaires were distributed physically among customers from domestic retail banks located in Kuala Lumpur and Selangor. Descriptive statistics is used to summarize responses from massive respondents in a few simple statistics. The study results indicated that service quality, corporate image, perceived value and relationship marketing have significant relationships with customer satisfaction in domestic retail banking sector. Among the independent variables,

corporate image has the strongest correlations while perceived value has the weakest correlations with customer satisfaction.

Jamal and Naser's (2003) study is similar with that of Alhemoud (2010), Wei (2013) and Abdullah et al. (2014) as they examined determinants of customer satisfaction in retail banks in Pakistan. Using a survey of 300 questionnaires that was randomly distributed to the women customers of the bank in Pakistan. They were able to show strong relationship between various dimensions of service quality and customer satisfaction. There was, however, no relationship between customer satisfaction and tangible aspects of the service environment. The paper discusses implications for bank management.

Awan and Azhar (2014) examined consumer behavior towards Islamic banking in Pakistan. The data was collected from a sample of 200 consumers in different Islamic banks in Multan through a structured questionnaire containing 30 questions. SPSS 17 has been used for data analysis. Correlation and regression analysis, ordinary least square (OLS ) method was used to find out relationship among independent variables( religion, high profit & low service charges, influence of friends & family, service quality, responsive attitude of staff ,mass media & bank image) and dependent variable (customer satisfaction). The study revealed that there exist a relationship between consumer behavior towards bank selection criteria and customer satisfaction. The findings showed positive and significant relationship among all variables and customer satisfaction partially mediates the relationship between independent variables and dependent variables. The conclusion is that customers' satisfaction is increasing day after day and their commitment is strong with the Islamic banks.

Rahim and Mohamed (2015) provided insight into the customer satisfaction and loyalty towards Islamic financial services of the Malaysian customers. Their objective is to examine the

relationship between consumers' attitude towards Islamic banking services and intention to adopt Islamic banking services. Data was collected through a survey and was analyzed using SPSS software. Primary data collected by self-administered questionnaires involving a sample of 352 respondents in Malaysia. Data were analyzed using frequencies, reliability analysis, regression analysis and correlation testing. The level of customer satisfaction and loyalty towards Islamic financial services were analyzed using sample characteristics and reliability analysis. Using SERVEQUAL model, the study also examined the relationship between service quality and customer satisfaction, while correlation testing & regression analysis tests were conducted. The research findings suggested the need to increase quality services, embrace good customer services and *Shariah* knowledge as well to enhance reputation and secure customers allegiance.

Ngah et al.'s (2016) study is similar to that of Razaq et al. (2013). They investigated determinants of customer satisfaction in Takaful Products and services. In addition, Ngah et al. (2016) also explored the relationship between independent variables which are employee commitment, the use of technology, understanding Islamic concept and distributive fairness towards customer satisfaction. Using a questionnaire survey, a total of 200 questionnaires were collected back from the respondents through convenience sampling. The research design for this study is descriptive in nature. As the data collected were quantitative, the survey conducted was executed in a cross-sectional approach. This technique has a few limitations such as inability to generalize the population of the study, failure to compartmentalize the respondents profile and bias in term of selecting the appropriate sample. According to this study, employee commitments indicated to be the most significant factor affecting customer satisfaction in accepting Great Eastern Takaful in Malaysia. The findings based on correlation analysis, revealed that all the independent variables have a moderate relationship with dependent variables. Khan (2016)

revealed that service quality and customer satisfaction are highly correlated as it further leads to customer retention. Thus, interaction between customers and Islamic banks should be on respectful and acceptable terms by balancing between outcome of service (interaction with customer and staff) and service delivery process (comply with standards). The study is inductive in nature and used Service Quality Model. This paper suggests main key attributes of service for Islamic banks (RIBA Service IQ) and concludes that sincere motivation, truthful intention, dynamic and practical service innovation of quality approaches can uplift Islamic financial brand.

### **2.6.3 Empirical Literature from Islamic mortgage studies**

Recently, Amin et al. (2014) examines theory of Islamic consumer behavior to explain the factors that influence the Islamic mortgage industry. Although previous works have shown that conventional marketing theories were, to a certain extent, able to predict factors influencing halal marketing and Islamic mortgage, these theories fail to capture or accommodate the Islamic perspectives of consumer behavior. The study use simple random sampling, 160 questionnaires distributed and managed to obtain 141 usable questionnaires. Drawing upon the *Maqasid al-Shariah*, this study developed a *Maqasid al-Shariah* index (MSI) and religious satisfaction (RS) for Islamic mortgage industry in Malaysia. These indexes were developed as the basis of the theory development in this setting. The model developed is later examined using survey data. This study reveals that education and RS are instrumental in determining the Islamic home financing preference. They conclude that RS has a full mediation effect on the relationship between welfare and willingness to consider applying Islamic mortgage. Justice is moderated by RS. Education and welfare however are not moderated.

Hamid and Masood (2011) examined selection criteria for Islamic home financing in Pakistan. The writing style is similar to that of Amin's (2008) study which reports that *Shariah* principle, fast and efficient services, price, bank reputation and terms and conditions of product flexibility are the five most essential factors considered by customers when opting for Islamic mortgages. Although this study discusses the importance of examining Islamic mortgage empirically, no special reference is made to that of *musharakah mutanaqisah or ijarah wal iqtinah* home financing which may explain the research in this discipline inconclusive. This study also fails to test any theoretical framework such as TRA model, TPB model, SERVEQUAL model, etc.

Amin (2008) conducts a survey on Islamic home financing services by using a quantitative research approach. The study collected a sample of 150 responses to examine the consumer preferences on Islamic home financing among Malaysian bank customers. Evidence is present in the study suggesting that consumer of Islamic home financing is mainly associated with lower monthly income, interest free banking, Sharia principles and fair practices of Islamic banks. The study finds that *Shari'ah* principle, lower monthly payment, transparency practice, interest-free practice and 100 percent financing are the important factors determining why individual opt for Islamic home financing. This study somehow tried to propose a model for Islamic home financing selection criteria by consumers. The study however only establishes antecedents whilst a dependent variable is clearly unexplored.

Two empirical works of Md-Taib et al. (2008) and Abdul-Razak and Md-Taib (2011) examined the acceptability of bank clients on the *musharakah mutanaqisah* home financing. These studies, however, have examined different research objective. The study by Md-Taib et al. (2008) asserts the importance of *musharakah mutanaqisah* as an Islamic home financing alternative to Malaysians and attempts to overcome the problem found in BBA. The study embarked on testing

the applicability of the TRA in a newly context of diminishing partnership home financing. The study reports that attitude and subjective norm are important to determine one's willingness to use *musharakah mutanaqisah* home financing, the effect of subjective norm is greater than that of attitude. The study therefore, emphasizes that the TRA model is appropriate and valid in a newly context of *musharakah mutanaqisah* home financing. The work, however, is merely a theory testing, as no additional variables are found in explaining behavioural intention.

Similarly, Abdul-Razak and Md-Taib (2011) examined *musharakah mutanaqisah* and *bay bithamanil ajil* home financing from bank clients' perception. This study, as can be seen above is an extension from the previous work by Md-Taib *et al.* (2008). The study reports that the customers of banks are dissatisfied with the current status of BBA due to the high pricing, injustice and a burden to individuals. On the other hand, it also discovers that *musharakah mutanaqisah* home financing is more preferred as profit and risk is shared between the customer and bank resulting in greater fairness, justice and equity.

Nayeem et al. (2009) investigated the conflict of interest on Islamic home financing in U.S. Study argued that U.S Islamic financial system composed of three Islamic banks and all three are different in terms of Islamic home financing models. Results revealed that Guidance Residential, LLC provides Islamic home loan facility on the basis of declining *musharakah* while University Islamic financial corporation follows *murabaha and ijarah wal iqtinah* mode of Islamic home financing. In contrast, American finance house LARIBA uses above two models to provide Islamic home financing services. This study only provides a transaction model in the context of Islamic home financing in U.S rather than to suggest consumer acceptance towards Islamic home financing.

Hanaffi and Kasim (2006) study is qualitative but an insight view for *bay bithamanil ajil* and *istisnah* proposed to better understand the Islamic home financing services. The study made comparative analysis between *bay bithamanil ajil* and *istisnah* mode of Islamic home financing. Findings suggest that *bay bithamanil ajil* is appropriate in Islamic home financing for the newly build houses where as under construction houses assign appropriate for *istisnah* mode of Islamic home financing.

On the same token, Abdul-Razaq et al. (2008) uses *bay bithamanil ajil* concept to determine the consumer intention on Islamic home financing. On the basis of 300 responses, study report that consumer acceptance level was very low to adopt *bay bithamanil ajil* mode of home financing. In addition, the Muslim customer is only concerned with the features of *bay bithamanil ajil* due to its *Shariah* compliant whereas non-Muslim customers showed positive linkage with this mode of home financing. Although, this study provides an interesting view of consumer intentions towards Islamic home financing, but yet no theoretical framework can be concluded.

More recently, Amin et al. (2014) provides a ground to examine the consumer acceptance towards Islamic home financing in the context of a theoretical framework. Their findings were based on 278 responses under the TPB model. Results indicate that all constructs of TPB model are significantly associated with the consumer acceptance on Islamic home financing. In addition, they found less contribution from demographic factors in consumer acceptance level.

The most recent study is that of Ali et al. (2015) which attempts to examine the Islamic home financing using the modified theory of planned behavior model (TPB). The study employed both exploratory factor analysis (EFA) and confirmatory factor analysis (CFA) to confirm the validity and reliability of the measurement model. The modified theoretical framework was examined by applying the structural equation modeling (SEM) using frequently reported goodness-of-fit

indices. The findings indicate that the original constructs of TPB model, attitude (ATT), subjective norm (SN) and perceived behavioral control has a positive and significant impact on the customer intention to use Islamic home financing. Furthermore, ATT is found to be the most influential factor in determining the customer intention towards Islamic home financing. On the other hand, they introduced two new factors, pricing on home financing (PHF) and religious belief (RB), which proved their presence in the TPB model by showing a significant impact on the customer intention to use the facility of home financing. In addition, PHF has a negative impact while religious belief has a positive relationship with the customer intention to use Islamic home financing in Pakistan. This study also suggests that the standard TPB model is successfully modified by introducing PHF and RB factors.

### **2.7.1 Theoretical Framework**

Several theoretical approaches were discussed by different researchers to explain the relationship between disconfirmation and dissatisfaction. Based on the work of Isac and Rusu (2014) and Sab'iu (2015) this study will briefly review three theories, i.e. contrast theory, dissonance theory and expectancy disconfirmation theory in order to shape and guide the study.

**2.7.2 Contrast Theory:-** This theory, first introduced by Hovland, Harvey and Sherif (1957), presents an alternative approach to the evaluation post-usage process that was presented in assimilation theory, in that post-usage evaluations lead to results in opposite predictions for the effects of expectations on satisfaction (Cardozo, 1965). Dawes et al. (1972) define contrast theory as the tendency to magnify the discrepancy between one's own attitudes and the attitudes represented by opinion statements. This approach states that whenever the customers experiment disconfirmation, they try to minimize the discrepancy between their previous expectations and actual product/service performances, by shifting their evaluations away from expectations.



According to Vavra (1997) the contrast theory, any discrepancy of experience from expectations will be exaggerated in the direction of discrepancy. If the bank raises expectations in its advertising, and then a customer's experience is only slightly less than that promised, the product/service would be rejected as totally un-satisfactory. Vice-versa, under promising in banking industry and over-delivering will cause positive disconfirmation also to be exaggerated.

Thus, if contrast theory were applied to the product of *ijarah wal iqtinah* home financing then, less slight in the promise of the product would be totally rejected as unsatisfactory and under promising and over-delivery would be highly exaggerated.

The above shortcoming has rendered this theory not feasible for this study in explaining customer satisfaction.

**2.7.2 Cognitive Dissonance / Assimilation Theory:** - Festinger's theory of dissonance (1957) forms the basis for the theory of assimilation. The theory of dissonance states that the consumer makes a sort of cognitive comparison between the expectations regarding the product and the product's perceived performance. If there is a discrepancy between expectations and the product's perceived performance, the dissonance will not fail to appear (Isac & Rusu, 2014).

According to Anderson (1973) the consumers try to avoid dissonance by adjusting their perceptions of a certain product, in order to bring it closer to their expectations. In a similar way, the consumers can reduce the tension resulted from the discrepancy between expectations and the product's performance, both by distorting the expectations so that they could be in agreement with the product's perceived performance, and by increasing the level of satisfaction through minimizing the relative importance of experimental disconfirmation (Olson and Dover, 1979).

Sab'iu (2013) and Peyton et al. (2003) argues that this theory has a number of shortcomings in explaining customer satisfaction. It is unrealistic to postulate that expectations are not static but

may change during consumption experience. The approach assumes that there is a relationship between expectations and satisfaction, but it does not specify the way in which the expectation disconfirmation can lead to satisfaction or dissatisfaction.

**2.7.3 Expectancy Disconfirmation Theory:** - Oliver (1977) came up with expectancy disconfirmation theory as the most promising theoretical framework for assessing customer satisfaction. Consumers purchase goods and services with pre-purchase expectation and once a product or service is used, outcomes are compared against the expectation. If the outcome matches expectations, confirmation occurs. Disconfirmation occurs where there is difference between expectations and outcomes. A customer is either satisfied or dissatisfied as a result of positive or negative differences between expectation and performance. Thus, when service performance is better than what the customer initially expected, there is positive disconfirmation between expectation and performance which results in satisfaction. While when service performance is not as good as what customer expected, negative disconfirmation occurs between expectation and performance which causes dissatisfaction.

This model has been used widely by other empirical studies to evaluate satisfaction of different products and services. Hence, this research adopted expectancy disconfirmation theory as its theoretical framework due to the fact that previous studies that applied the model found it to be the best for evaluating customer satisfaction which matches this study for the identified determinants to be assessed. The variability in customer satisfaction depends on service perceived performance relative to buyer's expectation, if the service performance falls short of expectations, the customers will be dissatisfied. If performance matches expectation, the customer will be satisfied. Consequently, highly satisfied customers repeat purchase and tell others about their good experiences with the services (Kotler and Armstrong, 2006).

It can be seen from the above expectancy disconfirmation theory that, in order to measure satisfaction, it is necessary to measure both expectations at the time of purchase and reactions at some time after purchase. If actual consequences equal or exceed expected consequences, the customer is satisfied, but if actual consequences fall short of expected consequences, the customer is dissatisfied. Thus, satisfaction by definition seems to be an attitude. For that, it is necessary to measure the customer expectations and their consequences. Hence, it is important to understand the ranges of customer expectations and consequences which need to be assessed.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.1 Introduction**

This chapter contains research design, the population of the study, sample size and sampling technique, method of data collection, and technique of data analysis.

#### **3.2 Research Design**

This research used survey design in analyzing the determinants of customer satisfaction and in examining how the explanatory variables affected the degree of customer satisfaction with *ijarah wal iqtinah* home financing of *Ja'iz* Bank Plc. in Kano metropolis.

#### **3.3 Population of the Study**

The population of this study is customers of *Ja'iz* Bank Plc. in Kano metropolis who are utilizing *ijarah wal iqtinah* home financing which are one hundred and sixty five customers as at 24<sup>th</sup> November, 2017 from Tafawa Balewa Road, Bello Road, Kabuga/B.U.K, Zoo Road and Hotoro Road branches of Kano Metropolis respectively.

#### **3.3 Sampling Technique and Sampling Size**

A sample size of one hundred and thirteen customers is considered from the study in the population of one hundred and sixty five customers. This is guided by Krejcie and Morgan's (1970) table. The study employed purposive sampling technique in administering the structured close-ended questionnaire to the respondents.

#### **3.4 Method of Data Collection**

The Primary data was used for this study. The first part of the questionnaire contains socio-economic and demographic features of the respondents involving age, gender, marital status, qualification, occupation and monthly income. The second part contains items of the SECRA

model dimensions namely *Shari'a* compliance, ease of accessibility, equity contribution, rental affordability and spreadability of the payment which are measured based on five Likert scale where 5 stands for strongly Agree, 4 stands Agree, 3 stands neutral, 2 stands disagree and 1 stands strongly disagree.

### 3.5 Technique of Data Analysis

Both descriptive and inferential statistics are used in analyzing the data for the study. Descriptive statistics such as; tables, percentages and histogram was used to describe the socio-economic and demographic variable of the respondents while inferential statistics captured dependent and independent variable. SPSS 21.0 software version was applied to get the result. The study also employed multiple regressions and Pearson's correlation to analyze the customer satisfaction. In addition, data screening procedures such as test of missing values, analysis of outliers, reliability test, normality test, multicollinearity test, factor analysis, KMO's and Bartlett's test were also conducted.

#### 3.5.1 Model specifications

The model in functional form is specified as follows:

$$CS = F(SC, EA, EC, RA, SP) \dots \dots \dots (1)$$

Where:

CS = Customer satisfaction which is the dependent variable

X<sub>1</sub> = Sharia compliance which is an independent variable

X<sub>2</sub> = Ease of accessibility which is an independent variable

X<sub>3</sub> = Equity contribution which is an independent variable

$X_4$  = Rental payment affordability which is an independent variable

$X_5$  = Spreadability of payment which is also an independent variable

The functional relationship can also be expressed in algebraically as

$$CS = \beta_0 + \beta_1 SC + \beta_2 EA + \beta_3 EC + \beta_4 RA + \beta_5 SP + \epsilon_1 \dots\dots\dots (2)$$

Where  $\beta_0$  is the intercept:

$\beta_1$  is the coefficient of Sharia compliance;

$\beta_2$  is the coefficient of ease of accessibility;

$\beta_3$  is the coefficient of equity contribution;

$\beta_4$  is the coefficient of rental payment affordability;

$\beta_5$  is the coefficient of spread-ability of the payment;

$\epsilon_1$  is the random variable that captures the effect of other variable not included in the model.

## **CHAPTER FOUR**

### **DATA ANALYSIS, PRESENTATION AND INTERPRETATION**

#### **4.1 Introduction**

This chapter presents interpretation, analysis and discussion of result with respect to customer satisfaction with *ijarah wal iqtinah* home financing by *Ja'iz* Bank by using SECRAS dimension model. In addition, various test and analysis have been conducted through SPSS 21.0 statistical package and all the regression results were reported.

#### **4.2 Response Rate**

This study collected data from the customers of the five branches of *Jai'z* Bank in Kano metropolis at Tafawa Balewa Road, Bello Road, Zoo Road, Hotoro Road and Kabuga/B.U.K. One hundred and thirteen copies, of questionnaire were administered to the respondents, but only seventy three (73) copies representing 82.5%, were completed and returned while the remaining forty (40) copies representing 45.2% of the sampled customers were not returned.

#### **4.3 Overall Reliability Statistics**

Reliability measurement is established by testing for both consistency and stability. Cronbach's Alpha is a reliability coefficient that shows how positive and consistent correlation of items exists between one another. The closer of Alpha values to 1 the higher the internal stability. Reliability was conducted and the result indicated that the whole 24 items were found to be adequate with the value of 0.667 and this signifies that there exists internal consistency between the items of the questionnaire and the variables under study.

**Table 4.1 Overall Reliability Statistics Table**

Reliability Statistics	
Cronbach's Alpha	N of Items
.667	24

**Sources: Field Survey, 2017**

From the above table 4.1, Cronbach's Alpha indicated that the instrument were reliable. This meets the criteria of Benzoma (2008) who reported that a Cronbach's Alpha of value 0.60 and above is appropriate.

#### **4.4 Normality of Data/Normality Test**

A normal distribution is an arrangement of data set in which most values are positioned in the middle of the range and the rest gradually lessen symmetrically toward extreme (Wang, 2013). This study used Skewness and Kurtosis to verify the normality of data distribution. The Skewness gives knowledge about the degree of asymmetry of a distribution while kurtosis provides information on the flatness of a distribution. The Z-score value of both Skewness and kurtosis not beyond a critical point of  $\pm 2.58$  indicating lack of deviation from normal distribution as pointed out by (Tabachnick and Fidell, 2007). Therefore, the data were found to be normally distributed and fits for the study as depicted in table 4.2 where neither the Skewness nor kurtosis is greater than the critical level of  $\pm 2.58$ . This implies that the data is normally distributed.



**Table 4.2 Result of Skewness and Kurtosis**

<b>Descriptive Statistics</b>							
	N	Minimum	Maximum	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
CS1	73	1	5	-.556	.376	-.465	.744
CS2	73	1	5	-.914	.376	-1.248	.744
CS3	73	1	5	-.2.301	..376	7.071	.744
SC1	73	1	5	-.2.671	.376	1.234	.744
SC2	73	1	5	.332	.376	-2.009	.744
SC3	73	1	5	-1.521	.376	1.241	.744
EA1	73	1	5	-.142	.376	-1.815	.744
EA2	73	1	5	-.978	.376	.118	.744
EA3	73	1	5	-.1.461	.376	1.953	.744
EC1	73	1	5	-207	.376	-2.092	.744
EC2	73	1	5	-.257	.376	-.547	.744
EC3	73	1	5	-.211	..376	-2.091	.744
RA1	73	1	5	-1.886	.376	5.230	.744
RA2	73	1	5	-.585	.376	-.771	.744
RA3	73	1	5	-.321	.376	-2.010	.744
SP1	73	1	5	-.394	.376	-1.032	.744

SP2	73	1	5	-.204	.376	-2.093	.744
SP3	73	1	5	-.477	.376	-.631	.744
Valid N (listwise)	73						

**Sources: Field Survey, 2017**

#### **4.5 Socio-Economic and Demographic Characteristics**

This section presented frequency distribution of the respondents based on their characteristics. The table in the appendix II sex distribution shows that 64 (87%) were male while 9 (12%) were female. Age of the respondents showed that age distribution of 38-47 is the highest with 43 (58%), followed by age category of 48 and above with 17 (23), while age category of 28-37 with 11 (15%), then the last one of 18-27 years were 2 (2%) is the least. With regard to the marital status, majority were married with 52 (71%), while single were 21 (28%). Furthermore, monthly income distribution showed that respondents that earned 98,000 and above were the majority with 31 (42%), followed by 58,000- 77,999 with 14 (19%), less than 18,000 were 6 (20%) while 18,000 and above were also 6 (8%), while 78,000-77,999 were 12 (16%) and the least belong to 38,000-57,999 with 4 (5%). Regarding occupational status of the respondents, the findings of this study revealed that the majority of the respondents i.e. 61 (83%) are wage and salary earners followed by self-employed with 12 (16%).

#### **4.6: KMO and Bartlett's Test of Sampling Adequacy**

Kaiser-Meyer- Okin measure of sampling adequacy (KMO) and Barlett's Test of sphericity result can be seen in the table 4.3 below. The value of KMO is **.568** and the level of significance for

Barlett's test of sphericity is also 0.000 indicating the sample is suitable for analysis. Hence, KMO measure of sampling adequacy on average tallies with the recommended value of 0.5 (Andy, 2005 & Tabachinik, 2007).

**TABLE: 4.3 KMO and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.568
Bartlett's Test of Sphericity	Approx. Chi-Square	362.67
	Df	21
	Sig.	.000

**Source: Field Survey, 2017**

#### **4.7 Analysis of Regression Result**

The following are the analysis of regression in the study.

##### **4.7.1 Multicollinearity Test**

For the multiple regressions to produce the Best Linear Unbiased Estimate (BLUE), it must ensure that there is no Multicollinearity. According to Bambale (2014), Multicollinearity is concerned with the extent of high correlation among independent variables. Therefore, to ensure that explanatory variables are independent, Multicollinearity was tested. The result from Tolerance level and variance Inflationary Factor (VIF) indicated that, there is no problem of Multicollinearity in the study. Hair et al (2010) are of the belief that any VIF value that is greater than 10 and a tolerance value that is less than 0.10 are indication of potential case of Multicollinearity.

Similarly, according to Garson (2002), a Variance Inflationary Factor (VIF) greater than 4.0 and Tolerance Level that is less than 0.20 imply there is Multicollinearity among the independent variable. Therefore, as indicated in the table 4.4 below, Multicollinearity does not arise in this study because the Tolerance Level is greater than 0.20 and VIF is less than 4.0 in all the regressors.

**Table: 4.4 Multicollinearity Test Result**

SECRAS Dimensions	Tolerance	VIF
<i>Shari'ah</i> Compliance	0.321	1.342
Customer's Equity Contribution	0.231	1.431
Ease of Accessibility	0.643	1.512
Rental Payment Affordability	0.86	1.792
Spreadability of the Payment	0.341	1.432

**Sources: Field Survey, 2017**

#### **4.7.2 Pearson correlation**

The Pearson correlation in table 4.5 below shows the relationship between satisfactions, which is dependent variable and SECRAS model dimensions, as the independent variables. In this study, Pearson's correlation is used to test the degree of association between satisfaction and SECRAS dimensions.

The interpretation of Pearson's correlation is based on Cohen's (2003) general rules as follows:

1. *Shari'a* compliance and customer satisfaction
2. Ease of accessibility and customer satisfaction
3. Equity contribution and customer satisfaction
4. Rental payment affordability and customer satisfaction
5. Spreadability of the rental payment and customer satisfaction

**Table 4.5 Variable correlations**

NO	Variable	<i>Shari'a</i> Compliance	Ease of Accessibility	Equity contribution	Rental Payment Affordability	Spread ability of the Rental		
1	Satisfaction	0.785	0.681	-0.567	0.768	0.613		

**Note:** \*\* correlation is significant at the 0.01 level (2-tailed)

**Sources:** Field Survey, 2017

As indicated, the correlation between *Shari'a* compliance and satisfaction has strong positive relationship ( $r = 0.785$ ,  $p < 0.01$ ). Then followed by ease of accessibility which is positively related ( $r = 0.681$ ,  $p < 0.01$ ), then correlation between equity contribution and satisfaction which is negatively and strongly related ( $r = -0.567$ ,  $p < 0.01$ ). In addition, rental payment affordability has strong positive relationship with satisfaction ( $r = 0.768$ ,  $p > 0.01$ ). Finally, spreadability of the payment has a strong positive relationship ( $r = 0.613$ ,  $p < 0.01$ ).

#### 4.8 Hypotheses Testing Using Regression Analysis

**Table 4.6: Summary of Regression Results**

Model	Beta	t-statistics	p-value	R <sup>2</sup> 0.743
Shari'a Compliance	.731	5.213	0.000	
Ease of Accessibilty	0.231	3.121	0.000	
Equity Contribution	-0.413	-4.522	0.000	
Rental Payment Affordability	0.431	5.621	0.000	
Spreadability of the Payment	0.215	5.142	0.000	

**Sources: Field survey, 2017**

The study developed five hypotheses which were tested by using regression analysis so as to find the explanatory power of SECRAS Model in determining customer satisfaction with *ijarah wal iqtinah* home financing. Also, correlation analysis was used for testing the relationship between the variables. The hypotheses were formulated as follows.

**Hypothesis 1** states that "Shari'a compliance has no significant effect on customer satisfaction with *ijarah wal iqtinah* home financing of Ja'iz Bank Plc." The hypothesis is therefore, rejected

and this study concludes that *Shari'a* compliance has a significant effect on customer satisfaction with *ijarah wal iqtinah* home financing of *Jai'z* Bank Plc.

**Hypothesis 2** states that "Ease of accessibility has no significant effect on customer satisfaction with *ijarah wal iqtinah* home financing of *Ja'iz* Bank Plc." The hypothesis is therefore, rejected and this study concludes that Ease of accessibility has a significant effect on customer satisfaction with *ijarah wal iqtinah* home financing of *Ja'iz* Bank Plc.

**Hypothesis 3** states that "Customer's equity contribution payment has no significant effect on customer satisfaction with *ijarah wal iqtinah* home financing of *Ja'iz* Bank Plc." The hypothesis is rejected and this study therefore concluded that Customer's equity contribution has a significant effect on customer satisfaction with *ijarah wa iqtinah* home financing of *Jai'z* Bank Plc.

**Hypothesis 4** states that "Rental payment affordability has no significant effect on customer satisfaction with *ijarah wal iqtinah* home financing of *Ja'iz* Bank Plc." The hypothesis is rejected and this study, therefore, concludes that customer's equity contribution has a significant effect on customer satisfaction with *ijarah wal iqtinah* home financing of *Ja'iz* Bank Plc.

**Hypothesis 5** states that "spreadability of payment has no significant effect on customer satisfaction with *ijarah wal iqtinah* home financing of *Ja'iz* Bank Plc." This hypothesis is rejected and this study, therefore, concludes that spreadability of payment has a significant effect on customer satisfaction with *ijarah wal iqtinah* home financing of *Ja'iz* Bank Plc.

#### **4.9 Discussion of Findings**

The coefficient of determination  $R^2$  found to be 0.743 which showed that about 74% change in customer satisfaction in *Ja'iz* Bank on *ijarah wal iqtinah* home financing is explained by the five

dimensions of SECRAS model. This means the explanatory variables cause about 74% variation in customer satisfaction. Based on this result, the whole model is significant at 1% level which implies that the parameters are jointly significant in the model.

The study examines the most influential determinants of customer satisfaction with *ijarah wal iqtinah* home financing in *Ja'iz* Bank. Thus, the result showed that the coefficient of *Shari'ah* compliance is 0.731 which is significant at 1%. This implies that a 1% improvement in *Shari'ah* compliance will bring about 0.731% increases in customer satisfaction. *Shari'ah* compliance which has to do with compliance with the *Shari'ah* rule and regulation is the most important determinant of customer satisfaction that affects the degree of customer satisfaction with regard to *ijarah wal iqtinah* home financing in *Ja'iz* Bank. This is consistent with the findings of Metawa and Almosawi (1998) which indicates that religious factors receive higher degree of importance in the bank selection process.

This is followed by rental payment affordability where the result indicated that the coefficient of reliability is 0.431 which is significant at 1%. This implies that the 1% improvement in rental payment affordability will lead to increase in customer satisfaction by 0.431%.

In addition, the coefficient of customer's equity contribution is -0.413 which is significant at 1%. This implies that a 1% decrease in customer's equity contribution will bring about increase in customer satisfaction by 0.413%.

Moreover, the coefficient of spreadability of the rental payment is 0.212 which is significant at 1% is the fourth most important determinant of customer satisfaction of *ijarah wal iqtinah* home financing. This implies that a 1% improvement in the rental payment will lead to increase in customer satisfaction by 0.212%.



Finally, the coefficient of ease of accessibility is 0.321 which is significant at 1%. This implies that a 1% improvement in the ease of accessibility will bring about 0.321% increases in customer satisfaction.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1: Summary**

This study identifies factors that determine customer satisfaction of *ijarah wal iqtinah* home financing of *Ja'iz* Bank in Kano Metropolis. The study surveyed customers of *ijarah wal iqtinah* home financing of *Ja'iz* Bank five branches, Tafawa Balewa Road, Bello Road, Kabuga/B.U.K., Zoo Road and Hotoro Road.

Various conceptual, empirical and theoretical literatures were reviewed and this has helped in guiding and shaping the study. The population of the study consisted of one hundred and sixty five (165) customers from five branches where a sample of one hundred and thirteen (113) was considered for the analysis. The study also employed purposive sampling in selecting the respondents from the five bank's branches.

In addition, this study employed the multiple regressions and Pearson's correlation in investigating customers of *ijarah wal iqtinah* home financing of *Ja'iz* Bank. Both descriptive statistics and data screening techniques i.e. Multicollinearity and normality tests were conducted and the result indicated that the data is normally distributed and there was no presence of Multicollinearity among the explanatory variables.

Finally, the findings of the study revealed that customer satisfaction of *ijarah wal iqtinah* home financing is significantly determined by *Shari'ah* compliance, Ease of accessibility, equity contribution, rental payment and spreadability of the payment.

Moreover, correlational analysis was also employed to ascertain the degree of association among the variables. The result indicated that the strongest positive correlation is between customer satisfaction with Sharia compliance and rental payment affordability while that of spreadability and customer's equity contribution exhibited moderate positive and negative degree of association respectively. However, the dimension of ease of accessibility depicted a strong positive correlation with customer satisfaction of *ijarah wal iqtinah* home financing.

## **5.2 Conclusion**

Based on the findings summarized above, the study concluded that SECRA dimensions determine customer satisfaction of *ijarah wal iqtinah* home financing in *Ja'iz* Bank. Specifically, Shari'ah compliance were the product must conform to the *Shari'ah* rules and regulation is the most influential factor in determining customer satisfaction. Rental payment affordability which is the reasonable rental charges is the second to *Shariah* compliance in determining customer satisfaction.

In addition, the study further concluded that customer equity contribution being the amount of money paid as a token contribution by the customer to kick start the contract and spreadability of the payment which refers to the number of years taken to complete the contract are also significant determinants of customer satisfaction of *ijarah wal iqtinah* home financing. Finally, Ease of accessibility of getting access to the product of *ijarah wal iqtinah* home financing without difficulty. Strongly determines customer satisfaction in *Ja'iz* Bank with inclination to *ijarah wal iqtinah* home financing product.

The findings confirmed significant positive relations between SECRA dimensions and customer satisfaction. Thus, as the dimensions improves, customer satisfaction increases.

This study concluded that *Shari'ah* compliance is the most influential determinants of customer satisfaction with regard to *ijarah wal iqtinah* home financing of *Ja'iz* Bank. This is followed by rental payment affordability, customer's equity contribution, spreadability of the payment and lastly ease of accessibility.

### 5.3 Recommendation

Based on the findings and conclusions the following are proffered:

- i. For *Ja'iz* Bank to maintain loyal customers it should give assurance in terms of *Shari'ah* compliance in the process of initiating, execution and completion of the contract of *the ijarah wal iqtinah* home financing. This can be achieved by *Ja'iz* Bank management adhering to all Islamic injunctions governing *ijarah wal iqtinah* home financing.
- ii. *Ja'iz* Bank management should embrace good customer service policy especially in reducing the protocol of accessing the product of *ijarah wal iqtinah* home financing. This can be achieved by redefining the terms and conditions governing product accessibility and improving the bank's staff technique of approach in handling the potential customers of Islamic based mortgage.
- iii. For *Ja'iz* Bank to remain competitive in the global context of Islamic mortgage business the management should reduce the customer's equity contribution from 20% to say like or 10% as obtainable in some other Islamic banks in different jurisdictions.
- iv. It has been established from the study that rental payment affordability is a significant determinant of customer satisfaction in Islamic mortgage. Therefore, for *Ja'iz* Bank to achieve high level of commitment, it should charge reasonable rental charges in consideration with other similar homes of the same standard and location (e.g. in Kano metropolis).

- v. *Ja'iz* Bank management should spread the contract of *ijarah wal iqtinah* home financing to a reasonable period and by so doing, the lessee/partner in contract will be able to pay for the installment with ease.

#### **5.4 Suggestion for Future Research**

This research identified factors that actually determine customer satisfaction with *ijarah wal iqtinah* home financing of *Ja'iz* Bank in Kano metropolis. Further research can be conducted by using greater sample to cover *Ja'iz* Bank branches across the nation and this will be helpful in cross-validating the findings.

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## APPENDIX I

### CUSTOMERS' SATISFACTION ASSESSMENT SCALE (CSAS)

INTERNATIONAL INSTITUTE OF ISLAMIC BANKING AND FINANCE,

BAYERO UNIVERSITY, KANO.

Dear Respondent,

#### Questionnaire Introduction

This is an academic survey questionnaire aimed at identifying and collecting data on "DETERMINANTS OF CUSTOMER SATISFACTION OF IJARAH WAL IQTINA HOME FINANCING IN JAIZ BANK PLC OF KANO METROPOLIS ". Your kind and objective response will significantly assist in identifying the customers' expectation on Islamic leasing of home financing product. Anonymity of respondent is guaranteed. Information given will be strictly confidential and used solely for academic purpose.

*Please tick as appropriate in the spaces provided and where necessary. Fill the blank spaces.*

*Do you patronize ijarah wal iqtinah Home Financing, Yes [ ] or No [ ]? If yes, please answer the questions that follow:*

#### Section A: Socio-Economic and Demographic Characteristics of the Respondent (s)

##### 1. Gender

a. Male ☐ b. Female ☐

##### 2. Respondent's Age

18- 27 ☐ 28 - 37 ☐

38 - 47 ☐ 48 - 57 ☐

58 and above ☐

### 3. Marital Status

- a. Single ☐ b. Married ☐ c. Divorced ☐  
d. Widow ☐

### 4. Respondent's Highest Education Qualification

- a. Informal education ☐ b. Primary ☐ c. Secondary ☐  
d. Diploma/NCE ☐ e. HND/University Degree ☐ f. Postgraduate Degree ☐  
e. Others please specify ☐

### 5. Nature of Respondent's Occupation

- a. Unemployed ☐ b. Self-employed ☐ c. Wage/Salary employment ☐  
d. Others (please specify) ☐

### 6. Respondent's Monthly Income in Naira

- a. Less than N18, 000 ☐ b. N18, 000 - 37,999 ☐ c. N38, 000 - 57,999 ☐  
d. N58, 000 - 77,999 ☐ e. N78, 000 - 97,999 ☐ f. N98, 000 and above ☐

**Section B:** To identify satisfaction from the five dimensions.

N O	Dimension	Degree				
	Customer satisfaction of ijarah financing	1	2	3	4	5
		Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	There is fairness in the contractual arrangement					
2	Ijarah financing maximise welfare					
3	No interest component in the contractual agreement.					
4	In case of damage, the bank bears risk in financing.					



5	The bank do not charge access fee for ijarah home financing					
6	Staff of the bank provide prompt and quick service					
7	Lessee's share of contribution is reasonable					
8	Customers share of return is proportionate to his contribution					
9	The rental payment on the leased asset is affordable					
10	The bank grant a grace period in case of default					
11	Frequency of the payment is bearable					
12	Spreadability of the payment is fair to the lessee					

13. What would you say are the problems related to *Ja'iz* Bank's *ijarah* home financing product?

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14. Please, state what you consider to be a solution to the identified problems stated above.

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## APPENDIX II

1	Gender	Male	64	87.6
		Female	9	12.3
2	Age	18-27	2	2.7
		28-37	11	15
		38-47	43	58.9
		48 and above	17	23.9
3	Marital status	Single	21	28.7
		Married	52	71.2
		Divorced	-	-
		Widowed	-	-
		Separated	-	-
4	Occupation	Unemployed	-	-
		Self Employed	12	16.4
		Wage/Salary Employment	61	83.5
		Others	-	-
			-	-
5	Qualification	Informal Education	-	-
		Primary	-	-
		Secondary	-	-
		Diploma/NCE	13	17.8
		HND/University	49	67
		Others	11	15
6	Monthly income	Less than N18,000	6	20.5
		N18,000-N37,999	6	8.3
		N38,000-N57,999	4	5.5
		N58,000-N77,999	14	19.2
		N78,000-N97,999	12	16.5
		N98,000 and above	31	42.5

### APPENDIX III

**Table 4.2: Result of Skewness and Kurtosis**

#### Descriptive Statistics

	N	Minimum	Maximum	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
CS1	73	1	5	-.544	.374	-.461	.733
CS2	73	1	5	-.907	.374	-1.242	.733
CS3	73	1	5	-.2.289	.374	7.069	.733
SC1	73	1	5	-.2.448	.374	1.226	.733
SC2	73	1	5	.315	.374	-2.003	.733
SC3	73	1	5	-1.488	.374	1.230	.733
EA1	73	1	5	-.102	.374	-1.811	.733
EA2	73	1	5	-.974	.374	.113	.733
EA3	73	1	5	-.1.453	.374	1.949	.733
EC1	73	1	5	-.209	.374	-2.062	.733
EC2	73	1	5	-.242	.374	-.541	.733
EC3	73	1	5	-.209	.374	-2.062	.733
RA1	73	1	5	-1.869	.374	5.220	.733

RA2	73	1	5	-.579	.374	-.765	.733
RA3	73	1	5	-.315	.374	-2.003	.733
SP1	73	1	5	- .38 4	.374	- 1.0 14	.733
SP2	73	1	5	- .20 9	.374	- 2.0 62	.733
SP3	73	1	5	- .46 7	.374	- .62 2	.733
Valid N (listwise)	73						

<b>Model Summary<sup>b</sup></b>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.897 <sup>a</sup>	.743	.761	.36705781
a. Predictors: (Constant), SPREADABILITY OF THE PAYMENT, EASE OF ACCESSIBILITY, CUSTOMER EQUITY CONTRIBUTION, SHARIA COMPLIANCE, RENTAL PAYMENT AFFORDABILITY				
b. Dependent Variable: CUSTOMER SATISFACTION				

<b>Coefficients<sup>a</sup></b>								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-.373	.088		-3.911	.000		
	SHARIA COMPLIANCE	.731	.131	.731	5.158	.000	.321	1.342
	CUSTOMER EQUITY CONTRIBUTION	4.413	.512	4.413	5.621	.000	.231	1.431
	EASE OF ACCESSIBILITY	0.231	.069	3.121	-1.213	.282	.643	1.512
	RENTAL PAYMENT AFFORDABILITY	0.431	0.73	3.431	5.624	.000	.086	1.792
	SPREADABILITY OF THE PAYMENT	0.215	0.46	-1.215	5.140	.000	.341	1.432
a. Dependent Variable: CUSTOMER SATISFACTION								

<b>Gender</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	56	90.3	140	140
	2	17	27.4	42.5	100.0
	Total	73	70.2	100.0	
Missing	System	31	50		
Total		104	100.0		

<b>Age</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	10	9.6	13.7	13.7
	2	27	25.9	36.9	50.6
	3	28	26.9	38.3	88.9
	4	8	7.7	10.9	100.0
	Total	73	70.2	100.0	
Missing	System	31	29.8		
Total		104	100.0		

<b>Marital</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	29	27.8	39.7	39.7
	2	44	42.3	60.2	100.0
	Total	73	70.2	100.0	
Missing	System	31	29.8		
Total		104	100.0		

### Qualification

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	2	6	5.7	6.8	6.8
	4	24	23.0	32.8	39.6
	5	22	21.1	30.1	69.7
	6	21	20.1	28.7	100.0
	Total	73	70.2	100.0	
Missing	System	31	29.8		
Total		104	100.0		

### Occupation

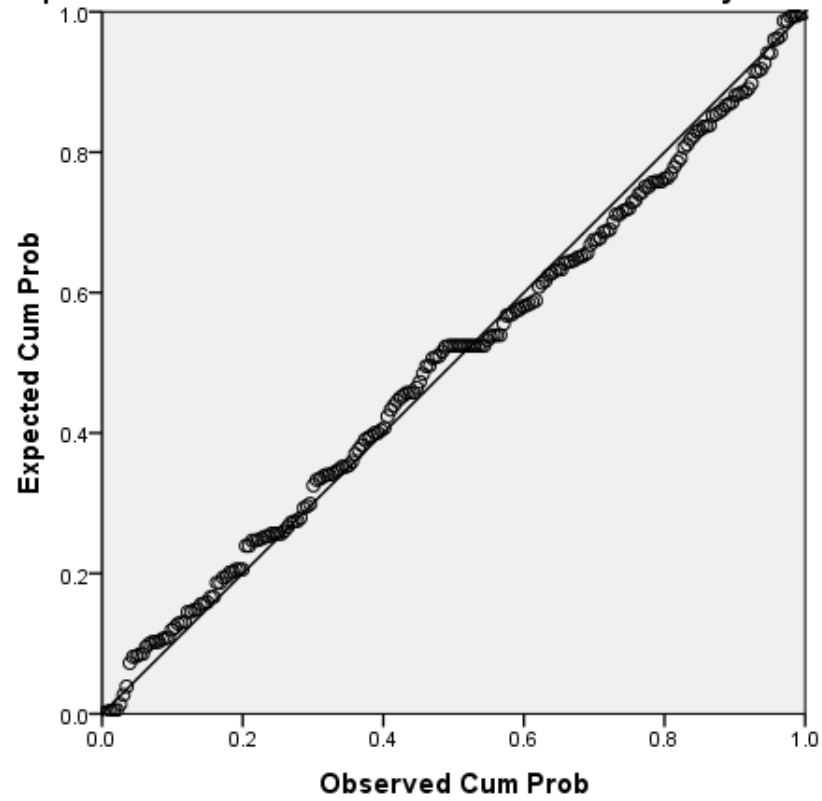
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	14	13.4	19.1	19.1
	2	17	16.3	23.2	42.3
	3	42	40.3	57.5	100.0
	Total	73	70.2	100.0	
Missing	System	31	29.8		
Total		104	100.0		

### Income

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	5	4.8	6.8	6.8
	2	13	12.5	17.8	24.6
	3	9	8.6	12.3	36.9
	4	16	15.3	21.9	58.8
	5	11	10.5	15.0	73.8
	6	19	18.2	26.0	100.0
	Total	73	70.2	100.0	
Missing	System	31	29.8		
Total		104	100.0		

## APPENDIX IV

Normal P-P Plot of Regression Standardized Residual  
Dependent Variable: REGR factor score 7 for analysis 1





## APPENDIX V

### KREJCIE AND MORGAN SAMPLING POPULATION

Table 3.1									
<i>Table for Determining Sample Size of a Known Population</i>									
N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	346
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	354
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	191	1200	291	6000	361
45	40	170	118	400	196	1300	297	7000	364
50	44	180	123	420	201	1400	302	8000	367
55	48	190	127	440	205	1500	306	9000	368
60	52	200	132	460	210	1600	310	10000	370
65	56	210	136	480	214	1700	313	15000	375
70	59	220	140	500	217	1800	317	20000	377
75	63	230	144	550	226	1900	320	30000	379
80	66	240	148	600	234	2000	322	40000	380
85	70	250	152	650	242	2200	327	50000	381
90	73	260	155	700	248	2400	331	75000	382
95	76	270	159	750	254	2600	335	1000000	384
<i>Note: N is Population Size; S is Sample Size</i>					<i>Source: Krejcie &amp; Morgan, 1970</i>				