

# Customer Satisfaction in Participation Banks: Case in Istanbul

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**Abstract:** Participation banks have a 5% share in the Turkish banking system and it is important for the sector to improve the relationship between the customer and the bank from current situation. In this context, face-to-face surveys were conducted with participation bank customers in Istanbul province and satisfaction levels were determined by taking into account the customer's personal characteristics (gender, age, income). In addition, what can be done to increase customer satisfaction is discussed. The number of people participating in the survey is limited to 250, and most of the participants are middle-aged male and female customers. Increasing customer satisfaction, revenue level, profit sharing ratios, transaction costs and product diversity were found to have the most important share.

**Keywords:** Participation Bank, Customer Satisfaction, Banking

**JEL Classification:** G24

## 1. Introduction

The share of participation banks in the sector in the world and Turkey is increasing day by day. In order for this increase to occur at a high rate, the relationship between the participation bank and the customer needs to be improved. This tendency of the banking sector is critical in order to increase customer satisfaction. In this context, the separation of customers according to their characteristics and the strategy should be developed according to each customer.

The birth of the first banking participation in this study, the development, has been mentioned in the case of Turkey. Thereafter, face-to-face surveys were conducted with the participation bank customers. The number of participants in the survey is limited to 250, and most of the participants are middle-aged women and male customers. Increasing customer satisfaction, revenue level, profit-sharing ratios, transaction costs and product diversity were found to have the most important share.

## 2. Development of Participation Banking System

The first application of interest-free banking as a financing institution in the world has emerged as a result of a trial developed as a new method against the nationalization trend of all banks during the period of President Gamal Abdul Nasser in the town of Mit Gamr in the Arab Republic of Egypt. It is an academic debate in our time to give the name of the bank to this organization, which meets the agricultural and commercial needs of Fellah (Egyptian Peasant), and which is based on the philosophy of mutual bail, while working in a unique model of mixture of Venture-Capital and money. The model is based on both banking and trading partnerships (profit and loss partnership), as well as insurance and "barter", "leasing" and so on. sub-financing methods are put together and under the same roof, at the same time, the system is a unique mode (Url-1, 2018).

### 2.1. Development of Islamic Banking in Turkey

In Turkey, the Undersecretariat of Treasury and Foreign Trade on February 25, 1984 March 21, 1984 to the notification prepared by the Central Bank of the Republic of Turkey in the first phase of this system is organized. Subsequently, the sub-structure of the participation banking was created as a result of the regulations (Türkiye Katılım Bankaları Birliği, 2018).

A segment of the population in Turkey and the world, does not want to earn returns from interest income. For this reason, funds that do not go to the classical bank are idle. This is a trade-off between general economy and savings. Participation banks have been established as an innovation in the financial sector in order to earn economies of funds that do not go to the classical bank due to interest sensitivity and to assist the safekeeping and saving of the funds of the savings owners and to attract unused funds through alternative investment areas (Türkiye Katılım Bankaları Birliği, 2018). 60-year interest-free banking in the World, has a 30 year history in Turkey. Today, interest-free banking is an important financial instrument and has a presumption that can not be ignored.

Methods of funding in interest-free banking; As Arabic, Islamic and old sayings; Murabaha (an old saying in Turkish which has a meaning of: Financial trading), Mushareke (also an old saying in Turkish, partnership in capital partnership, partnership on both sides of the capital), Exception Credit (Used in places requiring construction phase, product building materials are also supplied by the contractor), murabaha card, mudarebe (labor- , salem (purchases of cash and cash), interest free

BES, sukuk (interest-free bond), karz-ı hasen (nice debt, interest free loan), tekafül (participation insurance) (Keskin et al., 2008).

The most important reason why participation banks or interest-free banking are requested is interest sensitivity in Islamic religion. The tentative point here is that no matter what the money is invested in, the fund guarantees that the bank (the bank) will pay more in a certain way, whether it hurts or not. The profit that can be earned in this way is not acceptable according to Islamic religion because one side causes increase in assets and the other side causes decrease in assets. Those who attach importance to this sensitivity are willing to participate in the banking transactions with participation banks in the name of profit and loss partnership by participating in a real commercial trade with their savings and without any guaranteed amount of repayment (interest) but with profitable profit (Keskin et al., 2008).

## 2.2. Differences between Profit Share and Interest

The profit share is determined at the end of the maturity, but it does not even last until the day before. Interest is determined at the beginning of the vanguard. The profit share to be paid is paid from the profit that is generated as a result of using the funds collected in the pool. Interest is paid from the proceeds from the various sources of the banks, especially from the loan interest rates. There is a parallel between the profit share from the financing and the profit share paid to the savings owners. There is no strong relationship between interest paid on deposits and interest on interest. The profit share to be paid to the client depends on the profit from the funds used by the bank. If the bank makes little profit, the customer also receives little profit. If it makes a lot of profit, the customer gets a profit share from it. If it hurts, the customer will have to endure the harm. Interest does not depend on the bank's profit. Even if the bank makes little profit, it makes a lot of profits or damages, but the interest to be paid to the customer is calculated from the beginning rate and this rate does not change until the end of the maturity.

On the other hand, profit share is not a loan for a cash loan, but rather a purchase or sale of a good or service or a partnership. Interest is a surplus in the banking that is absolutely against a debt relationship (Türkiye Katılım Bankaları Birliği, 2016). The major financial size of participation banks in Turkey are given in Table 1. When we look at the table, we have made a positive improvement in the net profit side, especially about twice the rate of the active exchange rate according to December 2016 December 2017. In the other ratios, a significant increase has been achieved and at least change has occurred in the number of personnel.

**Table 1. Major Financial Sizes of Participation Banks (Million TL)**

Financial Accounts	December.16	December.17	2017–2016 (Change in %)
Total Active	132.874	160.136	21%
Capital	11.494	13.645	19%
Net Profit	1.106	1.583	43%
Number of Personnel	14.465	15.029	4%
Number of Branch	959	1.032	8%

**Source:** Türkiye Katılım Bankaları Birliği, Katılım Finans Dergisi, Year 2, Issue 6, March–April 2018, p.18.

The distribution of the banks in the Turkish banking sector is given in Table 2. The number of participation banks is 5. Two are public banks and the remaining three are foreign–owned participation banks.

**Table 2. Distribution of Banks in Turkish Banking Sector**

Bank Type	Number of Banks	% Share in the Sector
Deposit Banks	34	65
Development and Investment Banks	13	25
Participation Banks	5	10
Total	52	100

**Source:** Türkiye Katılım Bankaları Birliği, 2016: 26.

The share of participation banks in the sector is given in Table 3. The share of the participation banks in the sector is as follows and the changes between the end of 2017 and February 2018 are shared and it will be more accurate to compare with the end of year figures.

**Table 3. Share of Participation Banks in the Sector**

	2018/February	2017
Within the Fond	6,1%	6,1%
Used In Fond	5,0%	5,0%
Within the Active	4,9%	4,9%
Within the Capital	3,6%	3,8%
Within the Net Profit	0,1%	1,8%

**Source:** Participation Banks Association of Turkey, Comparative Tables

### 3. Customer Satisfaction Surveys and Literature

There are many studies that determine the perception of participation banking in the sector through questionnaires. For example; the name of the work that financial consumers make to determine the factors affecting the use of participation banking is

'Interest-Free Finance Participation Model'. This questionnaire was applied to employees working in 708 academic staff in universities in Turkey with survey data were obtained. Four hypotheses have been developed in the model. According to this model; perceived service quality, perceived sensitivity, perceived awareness, perceived transparency and reliability were investigated on the sensitivity of the customer in using participation banking. As a result of the statistical analysis, it was determined that the perceived quality of service is the biggest influence of financial consumers in adopting participation banking practices. The second most important factor in adopting participation banking of financial consumers is perceived transparency and reliability. The third most important factor is awareness. Religious sensitivities have the lowest impact on factors affecting the use of participation banking (Yıldırım, İ. ve Çakar, R., 2016).

With the research conducted in 2015, it was sought to find out how the participation banks' services, especially the demographic characteristics of the participants, were found adequate, and the reasons why the participation banks preferred and the participation banks changed in the banking system. In their study, participation banks measured the perceptions of their customers and non-customers about participatory banking. The participation banks of the customers have chosen to make transactions in a short time, to be reliable, to be of good quality and not expensive, to be religious and courteous and courteous, and to prefer these banks to invest or to make transactions with these banks. Individuals who do not prefer participation banking think that participation banking is not different from commercial banks (Gençtürk, & Çobankaya, 2015).

In another research, it was tried to determine the current and potential bank customers' customer perception questionnaire for Islamic banking activities. According to the results of the survey, significant differences were found among the answers given to all the questions by participants who did not and did not want to work with an Islamic bank. Islamic banking activities, which are regarded as an alternative to the traditional banking system, are not well known by the customers and that the Islamic financial perception of potential bank customers is very weak (Toroman, Ata, & Buğan, 2015).

Drawing attention to the increased share of the growing banking markets of participation banking cause of the participation banking in Turkey in studies aiming to be preferred, Bolu were asked using their clients preferred because the survey technique of three participation banks for reasons affecting the preference of

participation banks participants are listed as to the most insignificant of the most important " Service Quality ", " Relations with Branch Personnel ", " Religious Sensitivities ", " Friend and Relative Environment Minimal Impact ", " Service Variety ", " Banking Prestige and Profit Share ", " Attractive Payment Facilities " (Özsoy, Görmez, Mekik, 2013).

In the satisfaction survey of 500 participant banks in Eskişehir, the first three orders were "Relatives and Friends", "Fast and Flexible Solutions" and "Staff Consultancy on Investment". Religious reasons are in the fourth place. "Internet banking quality" and "low-return participation accounts" are services that the participants of the participation bank are not satisfied with. In the course of these findings, it has been suggested that banks should have close relationships with customers and be customer-focused (Kaytancı, Ergeç & Toprak, 2013).

The criteria of interest-free banking has investigated in Jordan. In order according to importance degree; the price of the products, the Islamic image is in the top three ranks. Islamic banking has not been preferred due to religious reasons. In order, the position of the interest-free bank, the degree of closeness to the home or the place of business was in the last three ranks. The present and the potential needs and needs of the customers have been determined by Islamic banks and the banking products have to be developed. (Ramadan, 2013).

In Pakistan, the level of satisfaction and awareness of interest-free bank customers according to their demographic characteristics (such as age and income level) has been analyzed. In Pakistan, it has been determined that the education of the customer portfolio of participation banking is high and it is middle income in the age range of 21-40 years. It has been found that the ratio of these customers working with other interest banks is 67%. In the survey, it was observed that most of the customers preferred interest-free banks because of Islamic reasons. Apart from this factor, the efficiency and speed of banking transactions, the trusting of the customers and the flexibility of working hours are important. According to these findings, the participation banks reached the discovery that the customers were satisfied using interest-free banking products such as the participation account but were not aware of other participation bank products (Khattak, & Kashif, 2010).

#### 4. Case Study as a Survey

Surveys were conducted face-to-face with the participants from the participation banks on February 2018 in Istanbul provinces Bahçelievler, Bağcılar and Bakırköy.

**Table 4. Demographic Characteristics of Survey Participants**

	Group	Survant	Percentage, %
Sex	Woman	110	44
	Man	140	56
Age	16-21	9	4
	22-27	9	4
	28-33	15	6
	34-39	85	34
	40-45	8	3
	46-51	117	46
	52-57	5	2
	58+	2	1
Education	Under High School	115	46
	High School	28	11
	Vocationak Sch.	13	5
	Licence	88	35
	Master	5	2
	PhD	1	1
Montly Earning	<1500	7	3
	1500-3000	218	87
	3000-4500	18	7
	4500+	7	3
Sector	Government	40	16
	Private	210	84

Because of the questioner and time constraint, the number of the questionnaires is limited to 250 people. Participants in the survey first evaluated their demographics and are shown in Table 4, above.

The rates of men and women participating in the survey are close to each other. The most common age range is middle-aged persons (83%) between 34-51 years. At the level of education, primary school graduates are the first and secondary graduates are the second. In the monthly income, the range of 1500-3000 covers 87% of the total of the questionnaires. Finally, it is seen that the employees of the private sector

constitute the largest slice with an 84% share in the evaluation made on the basis of the working sector.

Secondly, questions about bank satisfaction were asked to respondents and the distributions are shown in Table 5.

**Table 5. Demographic Characteristics of Survey Participants**

Questions	Group	Number of Answers	Percentage, %
Do you find the costs of the services generally acceptable?	Yes	117	47
	No	39	16
	I Don't Know	94	37
Do you find the profit share amounts distributed enough?	Yes	31	12
	No	34	14
	I Don't Know	185	74
Do you think the opportunities offered for Umrah and pilgrimage trips are sufficient?	Yes	102	41
	No	11	4
	I Don't Know	137	55
Do you think the financial product variety is sufficient?	Yes	16	6
	No	95	38
	I Don't Know	139	56
Do financial products meet your needs?	Yes	124	50
	No	98	39
	I Don't Know	28	11
Are you satisfied with the services that the portfolio officer has presented to you in general?	Yes	127	51
	No	92	37
	I Don't Know	31	12
Do your portfolio authorities in the participating banks regularly meet with you?	Yes	97	39
	No	153	61

Surveys were examined and the effect of customer revenues on bank satisfaction was examined. The proportion of respondents who are satisfied with the services of participation banks is 48%. When this income-based ratio is examined, the highest bank satisfaction is seen as 66% in the income range of 3000–4500 TL. In the case of the highest-income customers (4500 + TL), the satisfaction rate is 60%, which is thought to be due to the high expectation thresholds of high-income customers. Among other income groups, the bank satisfaction was calculated as 47% and the lowest income customers (1500 TL <) as 13%. In this context, bank satisfaction is influenced by customer level of income.



Participation bank customers were asked about the profit sharing amounts and their effect on bank satisfaction was examined. For those customers who find the profit sharing amounts satisfactory, the proportion of those who are satisfied with the bank services is high and the rate of those who are not satisfied with the profit sharing amounts is 77%. In customers who do not express their opinions about profit sharing amounts (I do not know), the results of bank satisfaction are balanced and the rates of dissatisfied customers are closer to each other. Accordingly, the adequacy of the profit sharing amounts is affected by the bank satisfaction.

The relationship between the costs of bank services and bank satisfaction in participant banks has been examined. The proportion of those who are satisfied with the costs of the bank services is high and the rate of those who are not satisfied with the costs of the bank services is 74%. This clearly shows the effect of the suitability of bank services costs on bank satisfaction.

The effect of the financial product variety on bank satisfaction has been researched in the participation bank customers. Customers who find financial product diversity satisfactory have a high percentage of satisfied customers and those who are not satisfied with the diversity of financial products are found to be highly dissatisfied. As a result, the adequacy of financial product diversity is important in bank satisfaction.

## **5. Conclusion**

Although participation banking in Turkey has a very long history, a cultural proximity mavcuttur. As a social phenomenon, customer satisfaction in participation banking is a very important management function parameter. Satisfaction level is the outcome of this function. The study focuses on customer satisfaction.

When the position in the sector of participation banks in Turkey is considered, increasing the satisfaction of its customers is obvious the market share of banks will be increased. This study is designed to help determine the management strategies to be created for this purpose. As a result, it has been emphasized that the bank approach can be updated according to customer revenues and profit sharing, transaction costs and product diversity issues should be emphasized in the sector.

Further work may be extended by incorporating conventional bank customers. In addition, access to bank branches and ATMs, bank technological follow-up should be examined in terms of the impact on customer satisfaction.

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