

2.7 Review of Previous Empirical Studies

There have been a number of studies carried out to explore the link between risk management practices, customer value, and organizational success in the banking sector. In essence, efficient risk management is known to improve stability, customer confidence, and organizational success.

In a similar way, Hussain and Al-Ajmi in 2012 focused on the role of Islamic banks in the Gulf Co-operation Council Countries and found out that proper handling of credit risks and compliance risks has a significant influence on profitability and asset quality. The paper highlighted how proper risk management in Shariah-sensitive banks helps to increase customer trust in Shariah banks.

Parasuraman, Zeithaml, and Berry, in 1988, state that reliability and assurance in financial services are very essential in determining customer service values and satisfaction. When it comes to banking, reliable service delivery and security systems are paramount in maintaining customer loyalty and retention.

Amin et al. (2013) investigated customer perceptions in an Islamic bank and found that trust and value are an important mediator between service quality and customer loyalty. This supports the argument that value acts as a mediator between internal processes (like risk management) and performance outcomes.

In this regard, in the Saudi environment, a study carried out by Al-Homaidi et al. in 2020 found that risk governance tools are positive influences on bank performance, including bank profitability and market share. The authors proposed risk management and decision-making approaches that could enhance customer-oriented outcomes.

Al-Tamimi and Al-Mazrooei study in 2007 focused on the risk management processes followed in UAE banks; it was observed that efficient risk identification and monitoring processes resulted in improved financial performance as well as minimized operating losses in the banks.

Amin et al. (2013) analyzed customer perceptions in Islamic banks and found that customer trust and value are an effective mediator in the relationship between service quality and customer loyalty. This further supports the argument that customer value is a mediator between internal processes (like risk management) and performance outcomes.

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