

Acceptance of Islamic Banking
A Critical review of Advertisement & Awareness, Religious Beliefs,
Convenience and availability towards Acceptance of Islamic Banks

By

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NATIONAL UNIVERSITY OF MODERN LANGUAGES FACULTY OF MANAGEMENT SCIENCES

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The undersigned certify that they have read the following thesis, examined the defence, are satisfied with the overall exam performance, and recommend the thesis to the Faculty of Management Sciences

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This thesis has been read by me and has been found to be satisfactory regarding content, English usage, format, citations, bibliographic style, and consistency, and thus fulfils the qualitative requirements of this study. It is ready for submission to the Faculty of Advanced Integrated Studies and Research for internal and external evaluation.

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Date:

DEDICATION

I dedicate this research to my parents and specially to my father who is a real source of motivation and inspiration to me , not because he is my father rather because of his conduct , honesty, dedication towards his profession and way of living . No doubt due to special blessing of ALLAH and prayers of my parents today I am able to complete this study.

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Thank you all very much!

ABSTRACT

Islamic banking is relatively a new trend in the present world and has achieved a significant growth in the last two decades. Islamic banking has been emerged as a close substitute to conventional banking which allows the banking customers to make choice between these two banking system. Policy makers around the world are greatly concerned with factors influencing customer's attitude toward a particular bank, especially in the case where customer has to choose between Islamic bank and conventional bank.

This study is primarily focused on determining factors which have a significant influence on customer acceptance and selection of Islamic banks in Pakistan. The study used primary data to analyze the relationship between the explanatory variables and dependent variable. Primary data was collected through questionnaire of the study. Regression analysis technique was used by the study to analyze the collected data.

The results of the study suggest that Religious beliefs, Convenience & Availability, Personal Interest and Awareness and Advertisement are found to have positive association with the acceptability of Islamic Banking in Pakistan and are thus considered important determinants of Islamic banking. The result however, shows an insignificant association between Sharia Board and acceptability of Islamic banking. The overall results of the study are in line with the previous results from other study setting in different parts of the world.

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Acronyms

Symbol/Acronym	Meaning
CBs	Commercial Banks
IBs	Islamic Banks
GOP	Government of Pakistan
SME,s	Small and Medium Enterprises
SBP	State Bank of Pakistan
UAE	United Arab Emirates
ABN	Algemene Bank Nederland
HSBC	Hongkong and Shanghai Banking Corporation

CHAPTER: 1 INTRODUCTION

1.1: Background of the study

Islamic banking corresponds to the banking without the element of interest, in accordance with the teaching and the guidelines of Islam. The Shariah based economic and financial system prohibits interest based mobilization and saving of funds. However, under the capitalistic economic system Muslims were not able to eliminate interest bearing banking products and services from their economic framework. Moreover, OIC defined IBs as a banking system which has its procedure, principles and law in accordance with Islamic Shariah and a banking system which discourage interest bearing receipts and payments of money (Hassan, 1999). Matthews & Tlemsani, (2010) suggest that IBs are greatly concerned with the aspects of social and economic development of a country. The basis of the IBs emphasizes on the wellbeing of all the individuals in the society taking into consideration and all the stakeholders in the society relatively to the conventional banking system, which have their focus on the utility of the individuals in the society (Al-Qaradhawi, 2009). Matthews & Tlemsani, (2010) comment the conventional banking system works for the improvement of social welfare, happiness and the choice of the customers in the society. However, Islamic banking has a diverse perspective and believes in the enhancement of the social welfare, wealth and the choices of the aggregate society instead of harming the social norms for the individual's stakes in the society.

In the sixties, the Tabung Haji of Malaysia established the first Islamic bank and a saving investment bank was established in Mit Ghamr Egypt on a profit and loss sharing ratio (Tabung Haji, 1995). Only Tabung Haji bank which was basically initiated to offer services to the Pilgrimage to the holy land survived as it got acceptance in the market, roots in the community, official blessing and mainly because of the narrow focus it had in its business line.

In the seventies, some new efforts have been made towards the establishment of Islamic banking industry in Pakistan and other Islamic countries like Sudan and Iran. The Malaysian economy also introduced the Islamic banking system as official patronage and continued the main system along the conventional lines (Archer and Karim, 2002). The practice was also followed by Indonesia,

Qatar, Egypt and UAE. The number of customers in a market and the involvement of hefty amount of funds in the IBs industry brought about the attention of new players in the industry such as the ABN AMRO and HSBC bank limited.

The growth of IBs has been increased at a phenomenal rate at the time when CBs were facing the financial crises during the financial crunch. IBs recorded a growth of 29.7% across the world. The core essence or driving force of Islamic banking is the Holly Quran, Hadith as primary backup with Ijma (consensus) and Qiyas (logical Reasoning) as a secondary guide of rules (Muhamat et al., 2010).

Despite the substantial growth of Islamic banking industry, there is still a lot of potential for more growth. Pakistan has shown its presence in the international Islamic by issuance of GoP sakkuk Bonds in international Market. Majority of the Pakistan's population is still not using the banking services and products as they are unaware of such facilities. Being a developing country very large portion of Pakistan's population is still non-banked. In which majority is voluntarily not using the services and products of CBs due to their religious beliefs. In Pakistan, Islamic banking is a relatively new concept, it took its first step towards Islamic banking in 1980's when the banking ordinance amended but it was unsuccessful, afterward, Pakistan started a first full-fledged Islamic banking operation in the year 2001 (Tara, Irshad, & Khan, 2014).

As IBs system is relatively new concept when compared to conventional banking, therefore they are facing lot of hindrances and challenges with a new entrant to the existing banks, adherence to Shari'ah Compliance within the existing regulatory regime (Zaher and Hassan, 2001). Pakistan has a population over 200 million which includes majority of non-banked people and there are large number of potential banking customer in Pakistan's rural areas which can provide greater opportunity by financing Infrastructure, SME's and agriculture (SBP Bulletin, 2015).

The IBs industry has a steady growth in the last few decades (SBP Bulliten, 2014). However, the industry is still in its formation stage and will reach the masses with the increase in the product base in the indurty, broadening and deepening and new investment pools in the industry helping in greater liquidity for the banks. Pakistan is one among the poineers of IBs system and has recorded a greater improvement in the Islamic Banking sector after 2001 (State Bank of Pakistan, 2014). In the last few decades the annual growth rate of Islamic banking Industry in Pakistan has been reached to 30%. The Islamic banking in Pakistan has spread across the 87 different districts in the country with almost 19 different IBs operating with approximately 1500 branches in

different cities. The deposits and assets of Islamic banking were recorded almost one trillion by the first quarter of 2014 and are expected to be double in the year 2020. The growth prospect and the Profit opportunities in the Islamic banking sector makes the industry Highly attractive for the different financial institutions to enter into the markets and explore the tools and the factors which can help the banks achieve a reasonable share of profit from the Industry. The previous studies have highlighted many different factors such as the religious obligations, social and cultural norms, customers attitudes, Sharia Compliance of banks, the banks services and products as the main determinants of the Islamic banking sector. Islamic banking is prospering in both Islamic and non-Islamic cultures (Iqbal & Molyneux, 2016). Customers of IBs feel prestige and privilege while performing business with IBs. Therefore, IBs should perform up to the expectation of customers (Dusuki & Abdullah, 2007). Therefore, acceptance level of consumers is taken as dependent variable in terms of Pakistani Islamic banking along with some independent variables that will be discussed in later part. Analysis of demographic characteristics and Islamic banking awareness are also shared to get more understanding on factors which may influence acceptance level.

The current study takes the issue into the economy of Pakistan and explore the different factors which are considered important in forming the attitudes and the acceptance of the customers towards the IBs. From the in-depth investigation of the previous research studies and primary data which will be collected and analyzed by the research will present an important insight from the emerging market of Pakistan.

1.2: Islamic Banking Selection Criteria

Customers usually prefer one bank over another after the analysis of pros and cons of selecting bank. Numerous studies with respect to selection of bank in Islamic banking sector i.e. (Erol and Bdour (1989); Erol et al. (1990)) are among the pioneer researchers carrying on IBs preference criteria. Erol and Bdour (1989) observed that an individual who follows IBs were encouraged by choosing selection criteria consisting of: quick and fast delivery of services, reputation of the bank, positive and friendly attitude of bank's staff, and confidentiality. Hence, religious point of view was not considered as the first criteria while deciding about adoption of IBs concept in Jordan. In the same way (Haron and Ahmad (2002); Gerrard and Cunningham (1997); Haron et al. (1994); Nasser et al (1999); Okumus (2005); Khattak and Rehman (2010); Lateh et al. (2009); Saini et al. (2011)) also mentioned that customers in Singapore, Malaysia, Jordan, Pakistan, Turkey, Thailand

and South Africa play greater importance to such factors while deciding about using Islamic banking services.

While making comparison between non Muslim and Muslim customers, Haron et al, (1994) observed that Muslim customers give greater privilege to quick and efficient banking services, good behavior of banking staff, whereas non-Muslim customers prefer friendly behavior of staff, excellent service quality, reputation of the bank in descending order. Researchers also found that customers are not only motivated to IBs due to religious point of view. These results were consistent with the findings observed in Malaysia and Thailand by Loo (2010) and Lateh et al. (2009), these two researchers found that both non-Muslim and Muslim customers possessed different point of view while deciding about Islamic banking. For instance, Muslims in Thailand considered interest free saving accounts as the most important aspect of Islamic banking, whereas, non-Muslim customers are more focused on bank's reputation, product knowledge, and staff behavior.

Many researchers found that religious aspect plays an important role while choosing IBs for routine financial matters (Metawa & Almosawi, 1998; Khan & Ashgar, 2012; Othman & Owen, 2001). Studies such as (Al-Saleh & Hussaina, 2009; Al-Ajmi, Abdelhamid, Mansour, Hegazy, 1995; Niazi & Masood, 2010; Naser, Jamal, & Al-Khatib, 1999; Rustam, Bibi, Zaman & Ul-Haq, 2011) showed that customers assumed adherence to Islamic teachings as one of the important reason to choose Islamic banking system. Such studies also observed that "fewer service charges" was the most important argument by majority of customers irrespective of their demographics and religion.

Dusuki and Abdullah (2007) tried to find out the most important factors that force customers to look towards IBs in Malaysia. The results concluded that competent and educated staff along with friendly and positive behavior was considered as most important concern for Malaysian customers. The results found are in consistency with the research work of Abbas et al., (2003), who observed that customers are turning away from Islamic banking because of incompetent and unprofessional attitude of banking staff. Abdullah and Dusuki (2007) also stated that IBs cannot survive for a longer term based on their slogan of Islamism and Shariah compliant products; however improvements are required in terms of quality and satisfaction of clients. In continuation of literature review, an effort is made to study previous literature and find elements which are helpful

and motivating to develop positive concept of Islamic banking in Côte d'Ivoire. It is correctly illustrated by Abdullah and Dusuki (2007) that, the progress of Islamic banking is not solely dependent on religious grounds only. Rather, Islamic banking needs to improve its internal control systems, betterment in service quality, and staff training on Islamic products. Such initiatives would help IBs to satisfy existing pool of customers and a motivational factor for prospective customers.

1.3: Problem Statement

The concept and practices of IBs is growing at a substantial rate across the world and has becoming a strong substitute or choice to conventional banking by means of offering an attractive services and products to its customers (Ahmed, 2009; Pollard & Samers, 2007; Hassan, 1999). In the intense rivalry among the banks in banking industry every single factor and margin is important for capitalizing on opportunities and gaining competitive edge in the markets. The criterion for Islamic banking selection or the determinants of level of acceptance for the IBs holds key importance for survival and growth of IBs (Dusuki and Abdullah, 2007; Ahmad, Haron & Planisek, 1994). Islamic banking industry possesses a catalyst growth potential however, lack of knowledge to understand the customer attitudes and preferences and identifying the factors relevant to the acceptance level of the customers has restrained IBs from growth and capitalizing on the opportunities. The attitudes and preferences of Islamic banking customer is important in determining the level of customer acceptance to IBs and presents the selection criteria for IBs (Malik, Bhatti, Parveen, & Arshad, 2011; Ziaul, Nigar & Muslim, 2010). Understanding the needs and preferences of customer towards different services and products offering provided by the bank is a key in setting the IBs preposition, focus and strategic directions.

Previously, studies have focused on the practices of IBs purely relies on, the Islamic guidelines, principles of economics, finance and contract laws and it was observed that these guidelines and philosophy make distinction amid IBs and CBs structure, contracts, framework and economic objectives (Usmani ,2005; Wahyuni,2012; Iqbal 2010). However, very little work exists in the area regarding diagnosis of factors that are pertinent to acceptance of Islamic Banking in Pakistan. Moreover, studies in other parts of the world have also identified certain factors holding key importance to acceptance of IBs however; the same has not been yet confirmed or analyzed in Pakistani market. The factors identified in the literature present an important area for analysing the

role of these factors in determining the level of acceptance for Islamic banking in Pakistan. In order to address the problem of ascertaining the factors of vital importance to acceptance of IBs, this study analyze different factors with respect to their association with acceptability of IBs in Pakistan.

1.4: Research Questions

The study focus on the following research questions,

- How Advertisement and Awareness affect the acceptability of IBs?
- Does Convenience in availability of IBs affect its acceptance?
- How does Sharia Board influence the acceptance of IBs?
- How religious values and beliefs affects acceptability of the IBs?
- How Personal interests affect the acceptability of IBs?

1.5: Research Objectives

The study aims at analyzing the following main research questions,

- To analyze impacts of advertisement and Awareness does affect the acceptability of IBs
- To find out Convenience in Availability in availability of IBs affects acceptability of IBs
- To analyze how Sharia Board influences the acceptability of Islamic Bank
- To find out religious Beliefs affects acceptability of the IBs
- To find the impacts of personal interests affect the acceptability of IBs

1.6: Significance

The Islamic Banking is termed as one of the most important emerging trend in the Pakistani Banking industry over the last few decades however, given its percentage share in the overall banking industry it can be concluded that the IBs have not been yet able to meet the customer expectation and preferences to the potential. Previously, studies from other parts of the world have presented patronage factors affecting the acceptance of IBs in these countries however, little work have been undertaken in Pakistan in this regard. This study will add to the existing knowledge in the area and will add some new insights and knowledge from the Islamic Banking market in Pakistan. Understanding the needs and preferences of customer towards different product offering

and services provided by the bank is a key in setting the IBs preposition, focus and strategic directions. Through evaluating the IBs selection criteria factors and elements in the context are presented which are relevant to influencing the acceptance level, loyalty and the satisfaction of the customers. The analysis of the research questions for the current study will present important insights from the Islamic banking customers in Pakistan and will provide a picture of the customer preferences and priorities in selection of the IBs. This topic will highlight factors that create hindrance in proper conduct and acceptability of the Islamic banking in Pakistan. Moreover, it will be very significant in clearing the misperception towards Islamic banking from customer prospective. Moreover, for future researcher this can set ground to highlight more factors in order to refine the subject further and widened its scope.

CHAPTER: 2: LITERATURE REVIEW

2.1: Literature Review

Financial markets and banking sector has shown a significant amendment in term of directional and strategic changes over the last few decades around the world and the traditional banking practices and products has been replaced by innovative products and new modes of banking and financing (Ahmed, 2009). One of the most promising trends for the last two decades is the rapid growth and the expansion of the Islamic financial and banking Institutions which is setting the tone for the banking sector in most of the Gulf, Middle East and the south Asian countries with support from Africans Muslim Countries. Wilson, (1995) asserts that Islamic banking has developed into a close substitute or choice to the customer of CBs due to its increasing demand across the world. According to Dusky and Abdullah, (2006) the practices of IBs is not only limited to Muslim's but it also offer product and services to non-Muslim and new customers and therefore, almost operating in 75 different countries across the world.

In recent years, Islamic banking adoption has gained special attention in academic studies and numerous researches related to this issue have been conducted across the globe (Aziz et al. 2015; Abou-Youssef et al. 2015). Pollard & Samers, (2007) comments that the IBs continues to draw the attention of the Global markets and most of the commercial institution around the world has taken their position to capitalize upon opportunities in the IB industry. Besides Islamic countries the operation of Islamic banking has been expanded to almost 25 different non-Muslims countries across the world where the CBs have also opened their IBs windows which offers products and services allowed under the Islamic Sharia which is based Quran, Qiyas, Ijma and Sunnat (Hassan, 1999).

Wahyuni, (2012) that Islamic banking refers to a market structure and the business context which involves on financial transactions, operations, products and services which are in accordance to the principles and guidance of Islamic Sharia. According to Iqbal, (2010) Islamic banking is entirely based on interest free banking and finance system and prohibits three essential features of interest based financial and business transactions as forbidden by Islamic Shariah which includes Uncertainty, Gambling and interest. Such elements of business and financial transactions which are forbidden by the Shariah have harmful effects on the society and to enhance the mutual benefits

and the overall success of a society Islamic Sharia prohibits certain factors of financial transaction which are considered Haram under the principles and guidance of Islamic Sharia. Usmani (2005) stated that interest based activities have been prohibited in Islamic banking and financial system which give rise to a lot of harmful consequences for the societies. Interest based banking systems boost unequal distribution of wealth in the society which as a result widens the gap among the poor and rich. The economic development under interest based banking and financial system has no strong position to base itself on. The entire financial and banking transaction process is based on the fundamental and core principles of Islamic Sharia which guides transactions process and the relation among parties involved in transactions. The Islamic financial and banking system is strongly based on the three main principles of Islamic Sharia. The first principle is to share both profit and loss arising from the business activities, the second principle is charging of fixed charges and services fee which also includes cost and the third is charging no fee or cost (Bellalah and Ellouz, 2004). The other principles change in accordance with the business context and industry circumstances.

Islamic banking corresponds to the banking without the element of interest, in accordance with the teaching and the guidelines of Islam. The Shariah based economic and financial system prohibits interest based mobilization and saving of funds. However, under the capitalistic economic system Muslims were not able to eliminate interest bearing banking products and services from their economic framework. Moreover, OIC defined IBs as a banking system which has its principles, procedures and statutes in accordance with the Shariah and a banking system which discourages interest bearing receipts and payments of money (Hassan, 1999). Matthews & Tlemsani, (2010) IBs are greatly concerned with the aspects of socio economic development of the economy. The foundation of the Islamic banking system emphasizes on the wellbeing of all the individuals in the society taking into consideration all the stakeholders in the society relatively to the conventional banking system, which have their focus on the utility of the individuals in the society (Al-Qaradhawi, 2009). Matthews & Tlemsani, (2010) comments the conventional banking system works for the improvement of social welfare, happiness and the choice of the customers in the society, Islam has a diverse perspective and believes in the maximization of the welfare, wealth and the choices of the overall society instead of harming the social norms for the individuals' stakes in the society.

In the sixties the Tabung Haji of Malaysia established the first Islamic bank in Karachi and a saving investment bank was established in Mit Ghamr Egypt on a profit and loss sharing ratio (Tabung Haji, 1995). Only Tabung Haji bank which was basically initiated to offer services to the Pilgrimage to the holy land survived as it got acceptance in the market, roots in the community, official blessing and mainly because of the narrow focus it had in its business line.

The seventies also have some new efforts related to the establishment of Islamic banking industry in Pakistan and other Islamic countries like Sudan and Iran (Al-Qaradhawi, 2009). The Malaysian economy also introduced the Islamic banking system as official patronage and continued the central system with the conventional lines (Karim and Archer, 2002). The practice was also followed by Indonesia, Qatar, Egypt and UAE. The market size and the involvement of hefty amount of funds in the Islamic banking sector brought about the attention of new players in the industry such as the ABN AMRO and HSBC bank limited.

2.2: Acceptance of Islamic Banking

Customer acceptance is primarily based on the level of customer satisfaction achieved from the products and services provided by a firm. Customer satisfaction refers to a measure which identifies that whether a service or product supplied by an organization meets the individuals expectations or it exceeds customer's expectations. Kotler, (2000) expresses that customer satisfaction refers to phenomenon where person may be pleased or disappointed with the consumption of a particular product or experiencing a particular service by comparing it with his/her expectation from that service or products. MacInnis and Hoyer (2001) stated that customer satisfaction is attached with his/her feeling (i.e. acceptance, excitement, relief, delight and happiness) after experiencing a particular services or products. Albinsson and Hansemark (2004) stated that customer satisfaction refers to an emotional reaction of customers toward a specific product or services by comparing the expectations with what they actually receive, concerning to the fulfillment of specific needs, goals and desires. Eshghi, Haughton and Topi (2007) explained that meeting the customer satisfaction level helps the organization to make loyal customer and brand names for long term as well as building a profitable relationship with individuals. Deng et al. (2009) asserts that supplier ability to attain high level of customer satisfaction is essential for the brand names and making strong and profitable connection with the individuals.

Rehman and Shabbir (2010) discussed that, customer's expectation about new product has a direct impact on its adoption decision. Rogers, (1983) stated that selecting new product, customers perform deep analysis and choose products which fulfill their needs in contrast to existing products. The awareness and information about new product also grab attention of customers for its use (Lai, 1991). Likewise, to relate findings of these scholars to Islamic banking, it can be concluded that Islamic banking will have wider acceptance among customers due to their thinking, information, and experience about Islamic banking.

According to Kotler (2000) the satisfaction of the customers is based on the perceived pleasure or disappointment experienced by the customers relatively to their expectation from a particular service or products. Likewise, MacInnis and Hoyer (2001) also suggest that satisfaction and acceptance is related to the happiness, excitement, relief and fulfillment. Hansemark and Albinsson (2004) further explain the acceptance of customers as the difference between the actual and expected fulfillment of needs, desires and goals from the consumption of product or services. Haughton, Eshghi and Topi (2007) present that individual satisfaction is vital in developing the trust and loyalty of the customers with the brands and create value for the company. Deng et al. (2009) have contended that the satisfaction of the customers is important to improve the level of customer acceptance and maintain strong relationship with the customers. Soderlund and Rosengren (2008) contended that positive awareness and friendly relationship with the customers of the company play a vital role in enhancing the level of satisfaction of the customers. East (1997) also presents that if the relevant factors are sufficient to satisfy the customer than the acceptance level of the customers is increased. File and Prince (1992) have also contended that the level of acceptance of the customers also results in positive word of mouth from the customers. Naser et al. (1999) have presented that customer acceptance is highly imperative for the success and survival of a company in a highly competitive market.

In today's world where the global market is becoming more competitive, customer satisfaction has been considered as an important element of firm's strategy. Firms are competing for customers and using different strategies to keep the current customers and to attract new customers. Customer's loyalty, retention and satisfaction decide the overall organization success. Rosengren and Soderlund (2008) explains that gracious relationship, polite behavior and attitude of employees working in a service firms leads to a positive impression on customers which in turn assist the

firms to achieve the expected level of customer satisfaction. East (1997) stated that customers are said to be satisfied if they repeat the purchase of particular goods or services. According to Richens (1983) and File and Prince (1992) customers shares their experience with others related to a firm's products or services, hence satisfied customers will share good word of mouth which in turn will attract more customer s for the firms. Naser et al., (1999) demonstrated that customer satisfaction is a central element for the firm's success in today's competitive market.

The main part of the existing literature paid more attention to the classical paradigm model of confirmation and disconfirmation of customer satisfaction where the degree of customer satisfaction is measured by analyzing the gap amid the level of expected and actual customer satisfaction related to a product or a service (Goode & Moutinho, 1995; Davis & Heineke, (1998); Woodruff et al., 1991. Oliver, (1989); East, (1997) stated that confirmation model refers to a degree of satisfaction which fulfills customer expectations. Conversely, disconfirmation model assumes that customer satisfaction is a result of two cognitive variables which includes Pre-purchase expectation from a product or service and disconfirmation. Pre-purchase expectation refers to the predicted performance of a product or service while disconfirmation refers to the difference between pre-purchased predicted performance and post-purchase experience by customers Peter and Olsen (1996).

Bergmann and Kanning (2009) argues that Confirmation and Disconfirmation models created conceptual issues such as dubious notion of expectations, vagueness related to exceeding expectation, failure to determine absolute degrees of performance, expectation and giving equal importance to both performance and expectation. The evidence behind these problems gets stronger when it comes to services because services are inspirable, intangible, perishable and heterogeneous (Lovelock, 1996). Bitner and Zeithmal (1996) stated that the characteristics of services differentiate from the physical products. Due to this, Legg and Baker (1996) assert that it would be difficult for the customers to determine his/her degree of expectations before or after experiencing the services. Moreover, Zeithmal (1981) believe that the intangible feature of service creates problems for the customers to judge the services quality. Naser et al. (1999) stated that services "exist in real time" because they are received and consumed as quickly as it is provided to the customers. Customers achieve Satisfaction or dissatisfaction when the services are actually provided to them. According to Sherrell and Alford (1996) that services quality tend to be low at

the time of assessment and high at the time of experience it and its credence. Zeithaml and Binter (1996) explain that quality of services can only be determined at the time of experiencing it or after its experience. Credence qualities refer to the set of qualities in which customers can face difficulties often after providing services. Similarly, Mishra et al. (2010) revealed that services supplied by the bank with high credence quality as it is not easy for the customers to judge it immediately with high level of confidence after the services rendered by the banks. Devlin (2001) stated that assessing service quality requires long period of time which as a result makes it difficult to ascertain and measure customer's level of satisfaction. However, Naseer et al (1999) revealed that customer's level of satisfaction from services is attached with its quality. Taylor and Cronin (1992) suggested that quality of services is essential for the satisfaction of customer. The study of Abdullah and Dusuki (2007) emphasized that along with Islamic factors, IBs also need to pay special attention to the efficiency and quality of improving factors. Oliveir (1989) stressed that quality of services is an essential element but not have greater importance as customer satisfaction. According to Cronin and Taylor (1992) service quality is a form of attitude which is formulated from matching the expectation and performance.

Naseer et al. (1999) revealed that quality of services is a composition of multiple aspects rather than one aspect. Lewis (1993) unveiled that the quality of services is a form of attitude which is derived from both augmented and core service offerings. Parasuraman et al (1985, 1988) revealed that service quality have multiple dimensions which include assurance, empathy, responsiveness, tangibility and reliability. Similar studies conducted by McDougal and Levesque (1994, 1996) found that relationship aspects and core outcomes are the major quality dimensions of services. Parasuraman et al. (1991) stated that the outcomes quality of services relies on reliability while the quality of delivery process of services relies on assurance, empathy, responsiveness and tangibility. In the last three decades service quality has been secularized from different dimension by different researchers but does not concluded a single idea (Cronin and Taylor, 1992; Mishra et al, 2010; Rust and Oliver, 1994). The scope and definition of service quality varies with the studies conducted by different researchers in various contexts. However, service quality has been defined more generally by Parasuraman *et al.* (1985, 1988) that it is the customer's perceptions about the service excellence. These perceptions are formed on the basis service performance that the customers have experience during and after rendering the services. According to Mishra et al. (2010) that quality of services refers to the customer perception about the services.

In the banking sector customer satisfaction have greater essence in the market strategies and policies of banks as this sector is experiencing an increasing competition due to new entrants to the market including both mutual organizations and supermarkets. The development in information technology makes it more competitive as the world is becoming a global village. Therefore, in banking sector service quality is not only indicates the performance but also ensures banks survival. As a result, banks needs to be more focused on customer retention and customer satisfaction than ever before Goode & Moutinho, 1995; File & Prince,1992; Levesque & McDougall, 1996; 1996; Goode et al., 1996; Nicholls et al., 1993; Naser et al., 1999; Hanif et al., 2010; Jamal & Naser, 2003). An intensive competition among banks is more evident from small countries like Kuwait where 16 different banks are operating these includes both domestic and foreign banks (these banks are: Gulf Bank of Kuwait, National Banks of Kuwait,Commercial Bank of Kuwait, The Bank of Kuwait and MiddleEast, Al Ahli Bank of Kuwait, Kuwait International Bank, Boubyan Bank, Bank of Bahrain and Kuwait, Burgan Bank, Credit and Saving Bank, Industrial Bank of Kuwait, Kuwait Finance House, United Gulf Bank, BNP Paribas Kuwait, HSBC Kuwait and Citibank). Moreover, banking sector in Kuwait has a variety of sophisticated customers. In an intensive competitive market greater attention should be paid to strategies which are primarily concentrated on customer retention and satisfaction. To achieve this quality of existing products and services should be enhanced and innovative products and services must be offered. Levesque and McDougall (1996) explain that customer makes selection of a bank based on some criteria and factors which formulate selection criteria effects customer satisfaction toward a bank. In past numerous studies were focused on to point out the motive behind selecting a particular bank, these studies includes (Abbas et al., 2003; Haron & Ahmad, 2002;Erol et al., 1990; Khazeh & Decker, 1992; Erol & El-Bdour, 1989; Denton & Chan,1991; Laroche & Taylor, 1988; Tan & Chua, 1986; Kaynak et al., 1991; Naser & Jamal, 2003; Levesque & McDougall, 1996; Hassan & Rashid, 2009; Dushuki & Abdullah, 2007; Rehman & Khattak, 2010). The reason and significance of factors that affects customer choice of bank selection vary with researchers. Some of the important factors revealed by these studies are Sharia'h committee for supervision in the context of IBs, guidance from relatives and friends, profitability, security and safety, efficiency and effectiveness of online banking services, low charges for services delivered, location, convenience in transactions, the degree of services and facilities on offer, trust in bank management, quality of suggestions given by the bank professionals and bank image. In the case

of IBs, customers are more interested in the compliance of Sharia'h principals by the IBs (Ahmad & Haron, 2002; Erol et al., 1990; Haron et al, 1994; Metawa & Almosawi, 1998; Naser et al., 1999; Kader, 1993; Jamal & Naser, 2003). According to during the selection process of a bank customer's satisfaction are greatly influenced by the bank location, service quality, interest rate competitiveness and skills of the personnel working at the bank. Their study also suggested that poor quality of services will lead to the negative word of mouth which may results in losing the current and prospect customers. Various researchers such as Laroche & Taylor (1988); Anderson et al. (1976) and Khattak & Rehman (2010) reported that bank location is an important factor that effects individuals decision to select a specific bank. In contrast, studies like Tan & Chua, (1986) and Naser et al., (1999) unveiled that bank location has less importance in the individual's decision to choose a specific bank. The study of Tan and Chua (1986) revealed that a polite staff is the most essential factor that influences customer choice of a bank in Singapore. Other studies found that there exists a strong correlation amid the bank selection and banks ability to invest the customers' deposits in profitable projects (Rashid & Hassan,2009). Many researches revealed that the selection criteria for a bank includes ATMs facilities and their locations, number of branches, speed to process a transaction, caring employees and good financial advice Erol et al., 1990; Erol & El-Bdour, 1989; Omer, 1992; Gerrard & Cunningham,1997; Haron et al., 1994; Mettawa & Almosawi, 1998;Ahmad & Haron, 2002; Abbas et al., 2003; Naser et al., 1999; Jamal &Naser, 2003; Khattak & Rehman, 2010).

Numerous studies have defined demographic factors and explored its effects on the selection of banks. In this regard, Rashid and Hassan (2009) suggested that demographic factors provide useful insights to the banks, thus enabling them to develop an effective marketing strategy which in turn will assist the bank to enhance customer's satisfaction. Their study examined the influence of different demographic variables like age, gender, qualification, marital status, undergraduate and profession on the customer choice of bank. Their study noted that that male, young, and unmarried customers gives primary preference to banks efficiency (management efficiency, speed to process transactions and documentation, and staff knowledge related to customers business) while in the case of Islamic banking females, relatively old and married postgraduates gives primary preferences to the core aspects of banking (marketing programs, basic banking services and its uniformity on offers). The correlation amid demographic factors and bank selection was further supported by Rashid and Hassan (2009) who reported that customers age, gender and qualification

effects customers decision to select a bank. Similarly, the study of Kaynaak et al. (1991) also pointed out that customer choice of banks in Turkey is strongly attached with individual's demographics such as age, gender and qualification. Their study found that male customers are more attached than female customers to factors like bank image and reputation, range of services and products offered by the bank, parking facilities, working hours, speed to process transactions, advice from relatives and friends, facility to pay utilities bills, and financial counseling. Their study revealed that customers below 40 year are more interested in the bank location. Moreover, their study unveiled that customer with secondary education are more focused on to factors like friendly attitude of bank personnel, bank location, speed to complete a transaction and credit availability at the time of selection the bank as compare to customer with primary level of education.

2.3: Determinates of Attitudes towards Islamic Banking

The earlier theories related to the Islamic banking industry were largely focused on the subject of legally converting the interest based (paying fixed interest to the depositors) banking system to interest free (Profit and loss sharing) banking system. The aim was to involve the lenders and the financial intermediaries in the profit and loss sharing contract and to make the bank and the fund users responsible for the risk of the business. Additionally, these theories were aimed at discouraging the unequal distribution of wealth as it was considered injustice to pay a fixed rate of interest to the depositors of banks or to other lenders which may results in higher loss or profit to either the lender or user of the funds which as a result can leads to unequal distribution of wealth. (Ghanameh, 1973).

The Islamic banking and fiancé industry is based on principals developed in the first century of Islam and which are further elaborated and purified by the Islamic social and economic cultures and intellect (Schaik, 2001). The IBs is a mode of banking transaction which has its pillars derived from the Sharia the sources of which are Quran, Hidath, Sunna, Ijma and Qiyas (Gait & Worthington, 2008). The Sharia based banking system provides equal distribution of wealth to the society through applying the profit and loss sharing principle and gives primary preference to the welfare of a society as compared to conventional banking which is entirely based on the capitalistic economic system.

This study is mainly focused on investigating the factors behind the adoption Islamic banking around the world. Adoption has been defined as the acceptance or following of something by

willing or choice. Adoption of Islamic banking means that how likely the consumers are to receive the products and services of IBs as well as the willingness to receive these products and services in the future. The term Islamic banking has been generally defined as the banking system which is in accordance with the teaching of Islamic sharia'h (Tara et al, 2014). There is a variety of factors that influences the choice of customer to select a bank, some of the major factors are customer awareness, compatibility, consumer knowledge and risk perception. All these factors formulate the attitude of customers toward the banks. Islamic banking encourages the concept and practice of profit and loss sharing, giving out Zakat (a specified percentage generally 2.5% of the fixed savings of the depositors) to needy peoples of the society to improve their social wellbeing, thus promoting Halal trading that is in line with the Shariah rules. The concept and practice of Islamic banking comes into being to meet the financial necessities and to provide trading and investment facilities to the Muslim community of the world. However, Islamic banking is not limited to Muslims only but also open for the people of other religion. Therefore, the customers of Islamic banking include on both non-Muslim and Muslim customers despite that Islamic banking is entirely based on Islamic teaching. The reason behind that why they choose IBs over conventional banking is the customer satisfaction (Saad, 2012). This suggests that IBs have to pay special attention to factors that influences customer's satisfaction and convenience with its products and services. Therefore, IBs needs to formulate intensive strategies to enhance customer satisfaction and the successful implementation of these strategies would attract more number of customers toward the Islamic banking.

One of the important factors that influences customers attitude toward Islamic banking is compatibility. Compatibility refers to the extent to which the banking products and services are consistent with the innovations, existing values, and needs of potential customers and past experience of the existent customers (Ganiyu& Adeosun, 2015). There are many reasons that effect the adaptation of IBs by the customers but compatibility is primary factor. IBs offers variety of services and products to customers will check and assess whether these products and services fit best to their needs, beliefs habits, social system, norms and values and their lifestyle (Obeid, 2016). Customer beliefs may include that the main objective of Islamic banking is to improve the society well being as a whole, such as encouraging equality and justice in the society. These beliefs may be derived from the general perception of people about the Islamic banking that profit and loss sharing practice is better than interest based financing and banking system and also expects that

Islamic banking has a better impact on the economic growth of a country as compared to conventional banking. Some Muslims require for their banking services to avoid the usage of interest and the banks that provide this are providing a service that is compatible with their values. It is generally expected that consumer will follow whatever they believe, hence if the products and services of IBs are more compatible with their beliefs then there is a higher intensity that the consumer will choose the bank. To comply with Shariah rules IBs also avoiding any trading activities which are prohibited by Islamic Shairah like cigarettes, gambling, alcohol and smuggling and some consumer place higher value on these aspects of Islamic bank during selection. According to (Yahaya et al, 2014) compatibility has greater impact on customers selection of IBs and the more Islamic banking products and services compatible with their values and beliefs, the greater would be the chances that consumer will prefer it over CBs.

Another important factor that influences consumer choice of bank selection is customer satisfaction. Customer satisfaction refers to the customers rating of the output received from the relationship with a bank, which results from the comparison of pre-experience expectation about doing business with a specific bank and the perceived actual performance after the completion of that business deal (Hamzah et al, 2015). It is very significant to know that what drives customer satisfaction towards a bank as it is generally regarded as firms' most significant long-term goal, the financial sector included. If a customer is satisfied he/she will repeat the transaction which in turn will enhance the brand loyalty for a bank (Sabir et al 2014). Number of marketing researches proves that satisfied customer are more likely to repeat a purchase of a product and service compared to unsatisfied customers (Kaura, 2013). Nowadays, competition among financial institution is constantly increasing which makes it more essential for the banks to put higher focus on service quality as most of services of non-banking institution are increasing becoming comparable to banking services. In today's world, consumers have more purchasing power and more knowledgeable than before due to technological development which in turn enhances customer's ability to compare and choose best among different banks (Narwal, Sachdeva, 2013). Another widely discussed factor that driven customer's motivation toward a specific bank is the customers risk perception about the bank. Risk is generally defined as the uncertainty of results in future. In the case of bank and customer relationship, risk refers to the degree of uncertainty that a customer may experience during or after the usage of specific bank services and products (Yahaya et al, 2014). IBs do not offer direct monetary loans to their customers in order to avoid interest

base transaction, alternatively IBs fulfill the legal (allowed in Sharia'h) necessity of its customer i.e. purchasing an asset for the customer, Car ijarah etc. however, avoidance of interest has both advantages and disadvantages to the customers of IBs (Illias, 2012). Based on Islamic principles, customer of Islamic bank may receive benefits from trade and investment if he/she considers part of the risk as his own by the means of sharing risk with the bank (Yahaya et al, 2014). Conversely, CBs deal in interest based transaction where consumer do not hold any risk as they receive/pays fixed amount of interest. In the case of Islamic banking, customer's shares risk with the bank, which means that some portion of the investor risk would be held by the borrowers and depositors. Hence, IBs normally undertake low risk project in order to protect their customers from heavy losses and taking only reliable investment decisions. Therefore, credit risk management plays an important role to sustain the bank customers by building their confidence toward the banks. This would be expected that undertaken of low risk by IBs can result in higher profitability and competency. This is due to the reason that IBs avoid interest based trading and investment which was the primary component of conventional banking for several decades.

Consumer knowledge is an important factor that affects customer's interest in particular bank. The term Knowledge is complex in nature as it consists of beliefs, perspectives and intention of an individual toward an idea or object (Jiang, Rosenbloom, 2005). According to Hristov, Kuhar, (2015) consumer knowledge is an important determinant of bank selection. Before individuals decide to use the services or product of a bank, they will go through a series of steps starting with the knowledge about banks and followed by the persuasion, decision and confirmation (Safeena et al., 2012). A customer, who goes through these steps will finally make the decision that whether to select or not to select a specific bank. Customer knowledge is comprised of two dimensions, first dimension is the subjective which refers to customer's perception toward a product or service based on his/her own knowledge, the second one is the objective dimension which refers to the customer's actual knowledge which relies on the customer's experience of using services or products (Hristov, Kuhar, 2015). The degree of expectation from a particular product or service depends on the prior knowledge of customers (Jiang, Rosenbloom, 2005). Thus IBs need to ensure that customers have the correct knowledge about the services and products to avoid customer loss of interest.

2.3.1: Convenience in Availability of IBs

The Muslims and non-Muslims possess same traits and objectives when it comes to the selection of the bank with limited differences based upon their religious thoughts and perceptions. The most important factor which is considered by Muslims before selection of bank is quick and effective banking services while this factor is ranked at number two by non-Muslims. Friendly attitude of banking staff is considered more important by non-Muslim customers; however same factor is placed at number three by Muslim customers. The reputation and brand image of the bank and reception quality at the bank is placed at number three and six respectively by non-Muslims however same factors are placed at number seven and fourteen by Muslim customers (Haron et al., 1994).

The Muslim and non-Muslim customers in Malaysia found no difference in patronage factors in commercial banking. Both type of customers declared fast and timely execution of transactions and responsive attitude of bank's staff as important elements. The Muslim and non-Muslim customers chosen for analysis were holding saving accounts and ATM users. Such trend shows that both type of customers need return on their investment along with the use of modern technology for funds transfer and withdrawal through ATM machines. Other benefits like, traveler's cheques, foreign exchange, safe vaults, house financing, personal loans, are not frequently used by the customers.

Cengiz Erol and Radi El-bdour (1989) argued that ease to access, public relations, are regarded as major factors inducing customers to choose IBs. Some other factors like, bank reputation, staff behavior, bank's environment, and availability of parking area also help winning the mindset of customers. IBs offer credit facilities on negotiable terms and less profit rate, on the other hand offers higher return to customers on saving accounts. Same kind of study was conducted by Boyd, Leonard and White (1994), the existing research studied customer satisfaction with number of Islamic banking products and services along with four major service delivery channels of IBs including, facilities available at banking premises, employees, location of bank's branch, and late banking hours. Such criteria (for example, customer's contentment with products and services and other service providing elements) are intended to provide satisfaction and comfort to the customers of Islamic banking. Knight (2007) observed that convenience customers prefer to follow recommendations based on location, reputation, internal environment, service quality, and

behavior of staff; on the other hand the service customers prefer to consider ease to credit facilities, rate of return, and positive attitude of staff.

The spread and availability of IBs across the world has been considered an important factor of customer acceptance of IBs. The expedient working time, the presence of more convenient ATM machines and providing its facilities near to the house and offices of the customers are also considered core factors to shape the customer attitude about the acceptance of IBs (Haron et al., 1994). The convenience in the availability of services and products from the banking is also analyzed by Kaynak and Whiteley (1999) in his analysis of the factors affecting the acceptance of IBs; the findings suggest that the motivation of the banks is highly influenced by the convenience in the availability of the banks. The study of Riggall (1980) examined the attitude of 250 new customers to determine that what factors influence their motivation towards the banks. The study concluded that convenient transaction process and the presence of banks facilities near to customer offices and houses are the main factors of influencing customer attitude towards banks. The convenience of the banks is found important in driving customer attention towards the selection of banks and switching by the existing customers towards the banks (Mokhlis., Hazimah., & Salleh, 2008). The increasing competition among the companies has made it more important for the firms to focus on their primary business and do deal with banks that are more convenient to their firms in terms of place or cost. In the context of Pakistan, the step toward Islamic banking has been taken after 1980's by introducing profit and loss sharing accounts. The moments there are few full-fledged IBs and few most of them have separate IBs units or windows. However, convenience really matters, because looking at the law and order situation people in our country prefer banks close to their location. Meezan Islamic bank have opened more than 400 hundred branches. Similarly, number of ATM compared to CBs are negligible.

2.3.2: Customer Awareness about Islamic Banking

Islamic banking is based on the principle that Riba (interest) based transactions are prohibited. This prohibition is derived from the Shariah ruling. As Muslims are prohibited to receive or pay interest, hence they are unable to carry out any sort of business with CBs (Gerrard and Cunningham, 1997). To avail the opportunity of this niche market, Islamic banking has taken the initiative of developing a range of interest free banking services and products that are in accordance with the Shariah principles and are acceptable to the Muslim customers (Malaysian Business,

2001). Moreover, Asghar and Khan (2012) observed that, IBs products possess greater ability to develop in Pakistan, as majority of Muslims feel happy to avoid interest based transactions. Similarly, there is a positive perception about IBs in Pakistan as people believed that Islamic financial products are in compliance with Shariah rulings.

Despite that interest is prohibited by the four major religions of the world (Islam, Judaism, Christianity, and Hinduism), today's the world economic system is based on interest. Hence, efforts have been put in process in the form of developing Islamic financial system to replace the interest based financial and banking system. Except of religion dimensions, there are also a number of studies that goes against the interest financial and banking system due to its hazardous impacts on economy and society(Aziz, 2011).

The history of Islamic bank basically goes to the early era as the 7th century but it has been commercially executed in the last century (Jonge, 1996). There is a general understanding amid business management researchers that, the speedy growth of Islamic banking at the time when the ethical banking movement is gathering new impetus is not a matter of absolute coincidence. The competition between Islamic and conventional banking is increasing day by day in terms of quality services, innovative products, profitability, technological development, number of customers etc. this study is mainly focused on determining the major factors that formulates customer attitude toward the banks especially in the case of Islamic banking. The first study which investigated the factors that affecting customer attention about the banks was conducted by Erol and El-Bdour (1989). Their study used a self-administered questionnaire to ascertain the behavior, patronage and attitude factors that effects customer's selection of banks. they concluded that awareness and knowledge of customers related to banks culture, principles, financing methods, products and services are the chief factors that effects individuals decision to select a bank. Later, Omer (1992) investigated the main motivational factors in UK behind the individual's decision to select a bank. The study used the sample of 300 Muslims respondents and found that most of the Muslims were unaware of the fundamental principles of the Islamic banking and finance. The study also revealed that Muslims living in a notionally Muslim country have better awareness and knowledge about the Islamic banking than Muslims living in a nationally non-Muslim country.

In Pakistan, the first Islamic bank (Meezan Bank Limited) started its operations in the year 2002. There exist around 21 Islamic banking products, developed to meet the needs of consumers. The primary objective of this scheme was to provide an opportunity to CBs to offer Shariah compliant products to their customers along with conventional products (Abdullah, Sidek, & Adnan, 2012). Islamic banking is not a religious symbol; however it gives priority to the needs of Muslims along with providing services to non-Muslims customers (Shaari, Zainol, & Muhamad Ali, 2008). IBs have received greater recognition among non-Muslim consumers as well (Hamid, Mujani, Yaakub, Sharizam, & Jusoff, 2011). Though, Islamic banking practices are in accordance with Shariah laws, there exist no difference in their banking activities while comparing to other financial institutions. Therefore the rivalry of IBs are not only the CBs but also with new entrants in the market (Wan Azmi, Shafie, & Haron, 2004).

The development process of a product in Pakistan Islamic banking can be divided into four periods including; initial products, existing products, additional products and new products. The earliest or initial products include, Mudharbah investment accounts, Wadiaah saving accounts, Wadiaah current accounts, and Bai Bathaminn Ajil housing finance. The second stage of product development included interbank money Market, Murabaha working capital, and asset securitization. The third phase of product development included the Islamic credit card, introduction of Islamic hire purchase financing, and Ijarah fixed financing. The last stage of product development included products like Musharkah, and Musharkah Mutanaqisah finance, structured derivatives and deposits, Mudarbah finance, and hedging products (Bahari, 2009).

In IBs, the utilization of funds and its mobilization is done on pre-defined contracts and as per Shariah rulings (Gupta, Khir, & Shanmugam, 2008). Additionally, such contracts may be divided into three major classes like trading contract, participating contracts and supporting contracts. Trading contract is defined as a sale contract where sale can be of goods, debt and cash. The most commonly practiced trading contracts in IBs are:

1. Bai Bhithaman Ajil or Deferred Payment Contract): It is defined as a sale of goods at deferred payment basis by including profit margin in the sale price as agreed by both i.e. customer and Islamic bank (Khir et al., 2008).

2. Ijarah (Leasing): A contract in which Islamic bank purchases an asset at the request and selection of customer, which is later leased by the bank to customer on pre-defined rate as settled between the two parties (Nanava, 2007).
3. Murabahah (Cost plus profit): A sale contract at agreed profit rate decided by both parties. It is also called sale contract where client make request to bank for hiring an item or commodity from the third party. Once bank purchase requested commodity, it is sold to customer along with profit as agreed by both parties (Khan, 2010).

Islam is always a big supporter of equity based contribution, and therefore, supports equal distribution of both profit and loss. The risky investments have given an opportunity to investors to maximize their profit margin. The most commonly used participation contracts are:

1. Mudarbah: Mudarbah is a trust based contract, which is also called as passive partnership which supports profit or loss sharing concept. In this form of contract, deposit amount is guaranteed and there exist no concept of loss, however profit is not pre-decided. Additionally, in this type of transaction one party is capital provider while second party is providing its labor and skills to perform specific function. The loss will be borne by the capital owner and the liability of other party is restricted to their effort and time.
2. Musyarakah: It is an equity participation agreement, which is used by the banks to finance projects for medium term and long term (Khir et al., 2008). In this type of contract, there exist two or more parties to develop a joint venture. Under this situation, each party joins the venture with some capital and actively takes part in management of venture. According to contract, each party shares profit as per the amount of investment or as agreed by all parties, however loss will be borne by the parties as per their stake in the project. Under this contract profit and loss cannot be divided in absolute terms.

The Islamic banking products are not just restricted to Muslims only; non-Muslims are also equally eligible to utilize Islamic products and services. The Pakistann IBs have made lot of efforts to introduce innovative Islamic products based on sharing the profit and loss resulted from a particular business, and other banking services to local community (Bahari, 2009). The reason

behind launch of new products is that, IBs are the alternate solution to customers who are not comfortable with interest based CBs system. In this way, IBs can stay in the market and can expand their network by delivering quality products and services to meet the market demands (Thambiah et al., 2010). As large numbers of CBs are also offering Islamic products to grab market share (Haron & Wan Azmi, 2006).

Osmaan et al. (2009) stated that, betterment of the quality of services can help increase customer's loyalty, satisfaction, and also market share. Better the service quality better would be the response from customers, as banking is the second name of hospitality and satisfaction of customers. According to studies, customers prefer those banks which are more customers' oriented and welcoming while offering their products and services to their existing and prospective clients. It has become very necessary for IBs as they have to deliver products and services at branch level. In the meantime IBs will also share their list of products offering along with thorough description to answer all relevant queries. Customers with high level of education and interest in banking are often anxious to learn more about bank's services and products being their area of interest, for instance, financial world (Muhamad Ali, & Zainol, Shaari, 2008). Nowadays researchers are keen to study about bank customers' perceptions and elements affecting support of Islamic banking. Although, there exist very studies on Islamic banking as compared to research work done on the customers of conventional banking. Actually, research done by Bley and Kuehn (2004), Göksu and Becic (2012) Gerrard and Cunningham (1997), Haron et al., (1994), Metawa and Almosawi (1998) and Okumus (2005) are considered as the only work done in this field around the world. Even Islamic world has not done enough research in this field. Undoubtedly Erol and El Bdour (1989) and Erol et al. (1990) are considered as the pioneer in discussing attitude and awareness among customers about Islamic banking.

Erol and El Bdour (1989) in Jordan observed that people are very much aware of conventional and Islamic banking system; they possess product knowledge and details of services being provided by both types of banking. However majority of customers feel no difference in conventional and Islamic banking procedures. Consequently, Worthington and Gait (2007) observed a study which analyzed the perception of around three hundred Muslims about Islamic banking in United Kingdom. During that time, CBs were playing the role of IBs as well, by offering Islamic products

under the same umbrella. The study concluded that Muslims in UK are very much unaware of Islamic principles of finance.

Conversely, the study of Haron et al. (1994) in Malaysia observed that Muslims are completely aware of the presence of Islamic banking system as compared to non-Muslims who are 75% aware about the existence of IBs. Approximately 63% of Muslim population stated that, they possess some basic knowledge related to IBs and can differentiate between conventional and Islamic banking. However in Singapore, Cunningham and Gerrard (1997) observed that small portion of Muslim population is aware of the idea of Islamic banking, whereas non-Muslims were completely ignorant about the prevalence of Islamic banking system.

Ahmad and Haron (2002) in Malaysia followed a new strategy to observe the perception of corporate other than the Muslim corporate clients about IBs. They observed that the acceptance of IBs products were very negligible due to their limited knowledge related to IBs. For example, the clients were not aware of the concept of Mudaraba or investment partnership, bay muajjal or deferred payment agreement, ijarah or leasing, istisna, bay salam or forward sale and other Islamic financing products. More than 50% respondents stated that, Islamic banking products possess greater potential to get competitive edge in the market; however 75% of the people claimed that Islamic banking in Malaysia has not focused on promotional activities through which they can introduce their products to corporate clients.

In Turkey, a study made by Okumus (2005) on the clients of Special Finance Houses observed that majority of the people are not aware of basic Islamic products like Mudarbah, Murabaha (cost plus pricing), Musharaka (partnership), and Ijarah (lease). Another finding of the research showed that, customers do not feel any difference between the product offering of SFHs and conventional banking, even when Islamic product is interest free and CBs is interest based.

Zubruegg and Rammal (2006) mentioned in their research that, Muslims in Australia were very excited regarding the concept of IBs regardless of their brief information and knowledge about IBs. Similarly, Hassan, Khan and Shahid (2008) studied banking attitude and behavior of customer regarding the IBs in Bangladesh and observed that consumers are well aware of many services and products. Products like saving accounts, saving bonds, terms deposits were well known. However, with respect to other products, excepting qard al-hasan, customers were possessing little

knowledge about products which are not frequently used in Islamic financing. Products like bay‘mu’ajjal, Murābahah, Ijārah,), Mushāraka, and bay ‘Salam, hire purchase under Shirkat al-Milk (partnership by ownership) are not commonly known by consumers unless they are briefed about them.

Lateh et al. (2009) in Thailand initiated a survey to analyze the perception of Muslims and non-Muslims of Thailand about Islamic banking and its functions and objectives. The results showed positive symptoms in the way that majority of respondents were very happy and anxious about banking services which are free from interest. Additionally, consumers considered conventional and Islamic banking products as two names for the same commodity. The researchers concluded that customers with negative remarks about Islamic banking possess very little knowledge related to IBs, its services, and products.

Gait (2009) conducted research study in Libya and targeted retail banking consumers, different companies, and banks on their approach towards Islamic banking and awareness about Islamic financial products. The results concluded that, around 90.1% of retail banking consumers had knowledge about presence of IBs but they were unfamiliar with Islamic financing products and their application. Products like Mudaraba, Murabaha, Istisna, and bay mu’ajjal were not known in detail to consumers however 67.8 % of the respondents were aware about the Musharaka and qard al-hasa.

In case of Pakistan, a research work was conducted by Rehman and Khattak (2010) stated that large number of consumers unaware of Islamic financing products like, Ijarah, Musharaka, and Murabaha. Moreover Asghar and Khan (2012) observed that, IBs products possess greater potential to grow and develop in Pakistan, as majority of Muslims feel happy to avoid interest based transactions. Similarly, there is a positive perception about IBs in Pakistan as people believed that Islamic financial products are in compliance with Shariah rulings.

Saini et al. (2011) made research in South Africa and concluded that, people in South Africa possessed greater information and knowledge about Islamic banking. More than 96.6% of the respondents were aware of Islamic banking and 50% of them thought that IBs is intrinsic to interest based banking system. In Herzegovina and Bosnia, Becic and Göksu (2012) observed that respondents were not able to comprehend basic principles of Islamic banking and its working

mechanism, furthermore, greater number of customers were unaware of the word IBs. Another research found that consumers believed that, IBs financing is more expensive as compare to the services of CBs. It is also concluded that majority of the customers approached Islamic banking to fulfill their religious responsibility i.e. to avoid interest based transactions.

Additionally, researchers also observed that frontline staff of the bank plays an important role in developing perception about their institution to outer world. Bank employees not only satisfy customer's needs but also let customers to assess their behavior and develop perception accordingly. Positive and humble attitude of employees will help develop positive image of Islamic banking among its target market. Mohd nordin and Abdul hamid (2001) conducted research and observed the significance of Islamic banking education. Based on the past research work one can say that services and products of IBs are well perceived by Muslims. Non-Muslim customers have usually low knowledge about IBs, however there are many non-Muslim customers who are well aware of major difference between conventional and Islamic banking. Researchers also concluded that, corporate clients have little information about Islamic banking operations and procedures. The reason behind such ignorance is that, IBs are not making serious efforts to educate their target market.

Ors, (2003) carried out a study to examine the role of advertisement in customer selection of banks and the study revealed that advertisement has a significantly positive effect on customer decisions to choose a particular bank. The study also provided numerical evidence that customer's decision to choose a particular bank is strongly influenced by the advertisements of such bank. Edwards (1973) has highlighted that the advertising intensity of the banks is an essential determinant for the selection criteria of the banks by the customers however, the study found that the profitability of the banks has negative relationship with the advertisement of the banks. Sudinn et al. (1994) investigated the effect of mass media on the customer attitude in term of selecting a bank and the study pointed out that advertisement and the use of mass media to attract customers often have no significant impact on the criteria for selection used by the customers however, it is broadly experienced that the banks spend huge portion of their funds on advertisement. Wangenheim and Bayon, 2004 has highlighted the point that although the mass media advertisements in the banking industry is not of importance for the acceptance of the banks however the words of mouth are an important advertisement tool and attitude setter in the Professional and household customers. Zain

Uddin in (2004) while analyzing the banking customers and non-banking customers suggests that family members, friends and good and positive word of mouth of friends and colleagues about banks services and products have significant affect on customer attitude towards IBs.

Arguably awareness and advertisement is compulsory, more likely being a developing country where literacy rate is low and majority of the population resides in rural areas (www.tribune.com.pk,2014-2015), awareness at the gross root level and advertisement at national level can play a robust rule in setting up attitude towards Islamic banking. Positive words of mouth in shape of advertisement can spread the message to the masses. Organization employees are the primary medium to create awareness and spread the word in this regard(Mousavi, Nosratabadi,& Saeidi, M. R. 2015). Therefore, education and training of IB's are compulsory in order to deliver the IBs services and products in their true sense.

2.3.3: Cost and Benefit Analysis of Islamic Banking

Cost and benefits comparison is always considering an important component to shape customer attitude about the banks. The benefits and costs of the banks are generally measures in term of the return rate, return on deposits, low service charges, the availability of easy credit, higher return rate on deposits and low lending rates of the banks are considered important (Al-Ajmi et al. 2009). According to Gait and Worthington, (2008) customer seeks for higher profit and lower costs irrespective of Islamic and CBs and therefore, it has been considering an essential element in customer decisions to select the banks. Hamid and Masood (2011) analyzed the products of different IBs and their study suggests that processing cost, service charges and monthly payments of different financing products is considered as a viatal factor in selection of the IBs by the different customers of the banks. Khazeh and Decker (1992) in his analysis of 1198 business school alumni found that the rate which the banks offer to the deposit holders in the banks is an important factor in setting the attitude of the customers towards the banks and is one among the five top factors which are important in the selection criteria for the IBs. Haron & Noraffifah, (2000) suggest that the Islamic banking customer do not necessarily focus on the profit rates offered by the banks but indeed there are other factors which highly influence the acceptance of the banks, as it can be seen that these banks have large amount of funds in their current accounts for which they do not offer any profits to the customers.

2.3.4: Customer attitudes and interest towards Islamic Banking

Customer's personal interest also plays an essential role to shape the customer attitude towards the banks. Gerrard and Cunningham, (1997) conducted a study in the context of Singapore to examine the willingness of both non-Muslims and Muslim customers to deal with IBs.

To perform Islamic banking operations, it is necessary to have confidence and reliability among the parties. A customer should trust its Islamic bank and Islamic bank on the other hand serve the customer under true Shariah rulings (Zaltman, Moorman & Deshpande, 1992). This point is also discussed by Hunt and Morgan (1994) by stating that, trust is about the confidence of one party over another to perform partnership in an effective manner.

Johnson and Garbarino (1999) further elaborated that; trust is the customer's confidence over quality of services provided by Islamic bank. For IBs, trust is the moral duty under which every person perform his duties with respect to social, economic, and political (Hanafi & Sallam, 1997; Haron & Shanmugam, 2001; Wilson, 1997). Although this point of view is countered argued by Haque, Osman and Ismail (2009) and stated that, confidence in banking practices has less influence on customer's perception. Therefore, confidence on Islamic banking is defined as a trust placed by customer on IBs for developing relationship.

In the Muslim populated countries, the scenario however is different and the Interests of the Individual also differ from the Customers in the Non-Muslim countries. A study in Bangladesh by Khan et al. (2007) found that 70% of the customers has previous relationship with the CBs suggesting that the customers are attracted by their religious interest and these customers has almost four-year relationship with the IBs which again signifies the fact that the IBs is effective in attracting Customers from the CBs and retaining these customers.

In comparing the interest of the Muslim and the Non-Muslim Customer towards the IBs Loo, (2010) presented the findings, suggesting that the Muslim customers are very much supportive of the IBs however the Non-Muslim customers do not view the banking industry in a broad sense and they relate the IBs just to the Muslims. The X generation however has a different perception of the IBs and for the reason they have positive attitude towards the IBs.

Haron et al. (1994) in their paper stated that commercial banking customers analyzed the awareness and the interest of the customers towards the IBs, the results suggest that almost 99% of the Muslims and 70% of the Non-Muslims are aware of the existence of the IBs and 12% of the

Muslim customers and 32% of the Non-Muslim customers relate the Islamic banking to the Muslims.

It is evident from the above figures that Islamic banking is gaining its place in the global financial system. People from their interest and decision on certain beliefs, so before attracting them towards Islamic banking their concepts and belief's tends to be adjusted by providing sufficient evidence regarding Islamic banking.

2.3.5: Social pressure and Norms

The Sharia law requires the economic and business activities to effectively work towards the broader goals of social justice, equality and long term sustainable socio economic growth in the economy along with the inclusion of all the segments of the society in the growth and development process. Matthews & Tlemsani, (2010) comments the conventional banking system works for the improvement of social welfare, customer satisfaction and the choice of the customers in the society, Islam has a different perspective and believes in the enhancement of the welfare, wealth and the selection of the aggregate society instead of harming the social norms for the individuals stakes in the society.

Ajzen, (1991) stated that customer behavior toward IBs relies on their perceived social behavior. He also suggests that customer social behavior has significant effect on the selection and rejection of IBs. Religious restrictions can put an immense pressure on customer choice to select Islamic bank and have greater impact on customers behavior and attitude regarding IBs (Amin etal., 2011). It is believed that the accessibility of services, social and religious aspects in Islamic banking has provided a sense of satisfaction and relief to customers for adoption of IBs (Osman, Haque, & Ismail, 2009). Mohammed (2008) examined the customer behavior toward IBs and concluded that most of the Muslim customers were dissatisfied from their experience with IBs. This is due to inability of IBs to meet social desirable objectives such as equality, social well-being and justice. Moreover, non-Muslim customers were also interest in the ability of IBs to achieve its socially desirable objectives. According to Razak and Mohammed (2008) customer satisfaction are more attached with the bank adherence to Shariah objectives, social justice and social responsibility and play significant role in Muslim customer choice while selecting a bank. On the other hand, the satisfaction of non-Muslim customers is concerned with social justice and the quality of services and products of banks.

2.3.6: Religiosity of Customers

In literal meaning, the word perspective is used to talk about the mental view on some relatively important topic. However, with respect to religion and education, perspective discusses the learning and teaching procedure, on the other hand, relative importance concentrates more on “emphasis and progression”. Perspective is mainly focused on the point of view which is in accordance with religious guidance and also supported by others. However if the view point contradicts with others then it can disturb the perspective of subject matter as well. It is concluded that the accessibility of services, social and religious perspective in Islamic banking has provided a sense of satisfaction and relief to customers for adoption of IBs (Osman, Haque, & Ismail, 2009). Kirkpatrick (2005) defines religious beliefs as a strong psychological bond of the humans concerning which is based on the Divine principals and represents an influential attachments and association between humans and different things.

The past researches conducted by Erol and El-Bdour (1989) and Erol, Kaynak and ElBdour (1990) stated three major factors which can put influence on customer’s perception about Islamic banking, which are: quick and efficient banking services, bank’s reputation and confidentiality, however religion is not taken as an important factor. However Haque et al. (2009) found major difference in perception about Islamic banking among different races. Every religion is a set of their own beliefs, as discussed by Shabbir and Rehman (2010). Islamic banking researchers concluded that customers are not much aware of Islamic banking products like Mudharaba, Musharkah, and Murabaha, which are Shariah compliant and a best alternative to conventional banking products.

Numerous studies have been conducted to investigate the effect of religious factor on the customer selection of Islamic bank. These studies concluded different findings as it was expected that religion is the most important for customers to select a bank especially for Muslims. However, some studies shown that religion factor has no greater importance in customer choice of banks. The study of Metawa and Al-Mosawwi (1998) concluded that religion is a most important factor that influences customer attitude towards banks in Bahrain. It was then supported by the study of Kuehn and Bley (2004) conducted in UAE. His study revealed that Muslim preference for IBs was mostly based on religious viewpoints and beliefs and not on financial knowledge. Therefore, the stronger the religious viewpoint and beliefs the more would be the possibility of choose Islamic banking service. Khan et al. (2008) unveiled that religious belief is the primary force that

influences customer selection of IBs in Bangladesh. Naser et al., (1999) examined the criteria of bank selection; their study found that religion thoughts and beliefs is the secondary important factor that effects customer selection of banks in Jordan. Accordingly, Erol and El-Bdour (1989) conducted a comparative study in Jordan and found that profitability was a major motivational factor for customer to select a bank and religious motivation was not a major farce to influence customer decision to select a specific bank. Another study carried out by Abdullah and Dusuki (2007) also concluded that religious beliefs was not the main criterion for customer to select a bank in Malaysia. They found that competent, knowledgeable and friendly personnel along with quality services were the main patronage factors that influences customer attitude toward the banks. However, the study of Haque (2009) investigated the criteria used by 168 customers in Malaysia and revealed that religious commitment was strong motivational force in the selection of IBs along with social perspective, confidentiality, variety of offerings and service quality. Loo (2010) examined five major factors as criteria for the selection of bank to determine the significance of each factor out these five for both the Muslim and non-Muslim customers. His study concluded that religion is the primary and first motivation factor for Muslims to select an Islamic bank but for non-Muslim customer religion ranked as a last preferred factor to select a bank. Additionally, Abdullaah et al. (2012) the study of revealed that among non-Muslim customers there exist a strong relationship amid the religion and the perception toward IBs in Kuala Lumpur. In a case of pre-dominant non-Muslim customers, a study of Cunningham and Gerrard (1997) concluded that religion was not the major force to influence the perception of both Muslim and non-Muslim toward banks in Singapore, it is the profitability of banks which motivates both non-Muslim and Muslim to choose IBs but not religion.

As per the research conducted by Khan et al. (2007) by taking 100 customers from Bangladesh as their sample and found that religion plays a vital role in choosing Islamic banking for financial matters. Furthermore, demographics and consumer behavior plays an important role for banks to position themselves to meet needs of customers.

The study of Omer (1992) suggests that religious beliefs have been found as a strong factor of influencing customer attitudes towards banks in UK and it is also a core influential factor to shape customer attitude about IBs. Moreover, it has been noticed by the study that customers having a background of religious education are more attracted towards IBs as compared to those having

lower level of religious education. Almosawi and Metawa, 1998) pointed out that religion is the central factor affecting the attitudes of the customers towards IBs among the various other factors. The religious beliefs are much stronger in moderating the attitudes towards the IBs as compared to the factor of profitability of the banks. In the said study it was revealed that religion is on the top of the rank in factors that drives the attitudes towards the selection of the IBs while, banks profitability is ranked next to the religious beliefs. The religious beliefs are also considered a key factor in setting attitudes of customers about the IBs in the UK banking industry (Omer, 1992). In studies by (Owen and Othman, 2001) and (Walkhid and Afrita, 2007), stated religious beliefs has a significant impact on customer perception toward IBs and therefore, support the fact that religious aspects have great importance to the customers while selecting a bank. Haron et al. (1994) concluded that 38% of the banks customers are highly attached with their religious aspects, thus large number of the banks customers were not considerably affected by the religious beliefs. Erol, & Radi, (1989) examined different factors which influences customer attitudes toward the banks and pointed out that religion is not the top most reason in the selection of IB and customer's attitude toward a banks is greatly attached with the profit motives of the bank. In their study regarding the analysis of the factor contributing to the acceptance of IBs by Khattak & Rehman, (2010) presented despite the fact that religion is an essential determinant in driving the attitude towards IBs yet, the profitability, the transaction costs and the availability of the services and products are valued more as compare to the religious beliefs of the customers. Marimuthu et al., (2010) found that the service quality, ease of availability and the trust and responsiveness of the banks are important relatively to the religious beliefs of the non-Muslims and the Muslims customers; the religion viewpoints and beliefs are not the primary motive behind the selection of bank among the other banks. Hasan et al. (2012) reports that religion serves as a secondary drive to influence customer choice of banks and not a primary motive behind banks selection. Cognitive institution is strong in Pakistan, people contributes to philanthropic activities whole heartedly but less active towards adhering tax regulations (Yunis, M., 2012). Therefore, in Pakistan's context religious beliefs indeed is a major factor towards acceptability of the IBs.

2.3.7: Reputation of the Banks

Banks reputation is another considerable factor which has a significant impact on the customer choice to select a bank and especially, it is more essential in the case of IBs. Reputation is generally defined as the past experience of customers' with their respective banks which forms an image in

the mind of customers about the current position of these banks. Sudin et al. (1994) conducted a survey in which they examined the factors which influences the individuals attitude about the IBs, their survey revealed that bank image and reputation is a third most essential factor which has significant effects on the customer's attitudes towards the IBs. In the context of Pakistan banks reputation has no significant influence on customer attitudes toward the banks as majority of the Pakistan's population is illiterate and is unable to judge banks reputation due to the lack of knowledge. So bank size, reputation and image have weak relation with the customer acceptance and the rejection of banks (Marimuthu et al., 2010). Therefore, bank size, reputation and image have no significant influence on customer attitude toward the banks. Moreover, State Bank of Pakistan is the ultimate guarantor of people's wealth, the underlying purpose of the SLR, CRR and Complying Basel Accord along with regulation is imposed on banks in order to ensure their stability.

2.3.8: Role of Sharia Board

IBs are greatly conforms to the Islamic Sharia and due to this it is obligatory for all the IBs to establish their own Sharia Advisory Board. The main purpose of establishing a Sharia Advisory Board is to guides the function and operation of IBs banks which comply with the Guidelines and Principles of Sharia (Ahmad & Haron, 2002). The IBs mainly attracts the customers based on the religious grounds and for the reason banks customers are interested in the Sharia Compliance of the banks. The study of Al-Mossawi & Metawa, (1998) also asserts that the Sharia Compliance is the obligatory function of all the IBs and therefore, customer is more concerned with the compliance of IBs to its Sharia principles and Guidelines. Hassan & Shahid (2007) argues that for IBs the establishment of Shariah board is compulsory and therefore customer needs assure that IBs perform all their function, provide products and services and deals in transaction which is in accordance with Sharia Guidelines and Principles.

Under the guidance of Islamic Shariah Standards, Islamic banking products have special features which differentiate them from the products of conventional banking (Damirchi & Shafai, 2011). All Islamic banking products are Shariah compliant, which means products are approved by the Shariah board of the bank. Islamic banking products have special features like; asset-backed, profit & loss sharing, and all such activities which are free from Gharar (doubt). Additionally, IBs are not allowed to lend money on the basis of interest as it is not allowed in Islam. Also, speculative transactions are prohibited in Islamic banking due to their bad impact on the society like Gharar

and Maysir (Hussein, 2010; Shafai & Damirchi, 2011). Thus, to develop an efficient IBs system in Malaysia, multiple financing instruments have been developed to offer interest free financing. It is necessary for the bank to invest funds in Shariah compliant avenues under the guidance of Shariah Advisory Board and Bank of Negara, Malaysia. Till now, IBs in Malaysia are offering more than one hundred Shariah compliant products to cater the needs of customers. Such products include; Ijarah, Mudarbah, Musharkah, Murabaha, Bai Bithaman Ajil and several others.

Many studies provide strong evidence that the selection of IBs over CBs is due to religious grounds. However, customers of IBs are more interested to know that whether the activities of IBs are in accordance with the Shariah principles in all stages (Ahmad & Haron, 2002; Haron et al., 1994; Khan et al., 2007; Metawa & Al-Mossawi, 1998). Compliance to Shariah rules is deemed to be important for IBs as their foundation is entirely based on Islamic Shariah. Therefore, it is obligatory for IBs to perform in accordance with the Shariah rules along with offering of interest free loans and Shariah compliant services. A study carried out by Khan et al. (2007) to examine customer behavior toward banks revealed that religious rules were the primary selection criteria for Islamic banking customers in Bangladesh. Their study concluded that among all other important factors that influence customer behavior toward IBs, religious principles were the most preferred factor among the customers. Additionally, Al-Mossawi and Metawa (1998); Hassan and Rashid (2008) also concluded that Shariah compliance is the most influential factor among customers to select a bank in Bangladesh. Their study suggested that Shariah compliance remains the heart of the criteria used by the customers of IBs. This indicates that IBs must pay special attention the compliance of Shariah principles. However, in a multi religious country like Malaysia, Shariah compliance of IBs was expected to be essential for Muslim customers only and not for the non-Muslim customers. Razak and Mohammed (2008) examined the customer behavior toward IBs and concluded that most of the Muslim customers were dissatisfied from their experience with IBs. This is due to inability of IBs to meet social desirable objectives such as equality, social well-being and justice. Moreover, non-Muslim customers were also interest in the ability of IBs to achieve its socially desirable objectives.

Khan et al. (2007) analyzed the factors influencing the acceptability of IBs and found that the Sharia Compliance is considered as an important factor effecting customer choice of banks and has positive effect on customer's attitude in Bangladesh. Moreover, bank customers in Bangladesh

also expect that IBs function must have compliance with the Islamic Sharia. Additionally, they stated that IBs motivate customer based on the religious identity. Rashid and Hassan (2008) also concluded that Shariah compliance of IBs have significantly positive effect on customers choice of banks in Bangladesh.

In Muslim countries the attitude non Muslim minorities are not significantly influenced by the Shariah compliance like in the case of Malaysia. According to justice, Shariah objectives and Shariah compliance play essential role in Muslim customer satisfaction, however non muslim customer are greatly influenced by the products, services and its relation with the social justice of the banks

2.3.9: Demographic factors.

The perception of Islamic banking and its products varies from one region to another depending upon such factors like, marital status, age, gender, family size, religion, education and occupation. Therefore, this part covers the perception of people about Islamic banking based on demographics. Boyed et al., (1994) while analyzing the effect of various demographic elements on the IBs acceptance presented the findings of and suggests that elements such as the consumer marital status influence the customer's preferences for the acceptance of the IBs. The study further found that the family size emphasizes the cost benefits, the reputation and efficiency. From the occupation point of view, the White collar are more interested in banks reputation while the Blue collar are more interested in cost and benefit comparison, basic banking service and the profitability of banks. Kaynak et al., (1991) investigated several factors that can affect the customers' choice of selecting a bank. Their study found that male is more interested in the reputation, variety of services and products, parking facilities and the convenience as compared to females. The study reveals that the Convenience and availability is a factor which is highly preferred by customers under age group of 40. The customer with primary level education have high preferences for the reputation and the services as compared to the higher level qualified. Kucukemoroglu, Kaynak, & Odabasi (1991) stated that, customers under the age of 40 are more concerned about the location of the bank with respect to convenience than other age groups. Voukelatos and Kengis (1997) found that people aged 35 and above have diverse mindset as compared to others. They are paying more attention on dimensions as compared to decreasing waiting time. Yet young people falling between ages 25-34 prefer to experience new technology, information about products and services, friendly

attitude and location of the bank. Additionally, the appearance of bank's staff and less waiting time is more attractive for teenagers aging 18-24.

Khan et al. (2007) found that people with age group 25-35 years prefer to keep long term relationship with the bank. However, in Malaysia, age has no significant effect on the perception about IBs but further researches concluded that a limited proportion of baby boomers and large number of X-generation people have shown deep interest in adopting Islamic banking (Dusuki & Abdullah, 2007; Ahmad, Haron & Planisek, 1994; Nathan, Thambiah & Eze, 2006).

Leonard, Boyd and White (1994) stated that marital status have distinct relationship with the selection of service and product either in the case of unmarried and married customers. The report revealed that unmarried or single customers are less concerned with the reputation of banks as compared to married customers. The number of family members and the size of income also affects customer choice of services and products. Moreover, Boyd et al. (1994) argue that customers also emphasize on banks reputation, efficiency and cost benefits.

Kayanak et al. (1991) also pointed out another determinant from the educational background of consumers. Consumers with high level of educational background are more open and expect friendly attitude of banking staff, quick and efficient banking services, location of the bank, and accessibility to credit facilities as compared to consumers with low education.

The past researches concluded that, it is necessary to obtain knowledge of needs, desires and preferences of consumers residing in two different regions (Abbas, Hamid, Joher, & Ismail, 2003; Ahmad et al., 2002; Aziz, 2010; Abdullah & Dusuki, 2007). The study initiated by Haron et al. (1994) stated that data collected is comprised of only a district. Abdullah and Dusuki (2007) launched their research in big cities of Malaysia like Johor and Kuala Lumpur, reported that the acceptability of IBs in Malaysia is very limited based on the sample size and selection of area. Hence, such data leads to misrepresentation of data and real perception of consumers about Islamic banking in Malaysia.

Boyd et al. (1994) explained that occupation of consumers also put impact on the findings of research. It is found that consumers possessing white-collar jobs are more focused on quality and services. However blue-collar households need basic banking services and always plunge into cost-benefit problems. In Malaysia Haque et al. (2009) observed no serious association with

general perception about Islamic banking. The study shows that occupation is influential in spreading awareness about IBs services and products, but in Malaysia there is no impact found on the perception about IBs and nature of occupations.

Khan et al. (2007) pointed out that income level has a significant impact on customer choice of bank but Haquee et. al. (2009) found that, monthly income has no significant effect on the perception about IBs. Rehman and Khattak (2010) stated that, perception about bank varies from person to person, depending upon their income level. People with different income groups may possess different perception about IBs.

2.4: Empirical Evidence

Erol and El-Bdour (1989) examined attitude, patronage and behavioral factors to determine the primary motivation behind the acceptance of IBs in Jordan. They found that religion is not major cause of driving customer motivation toward IBs. However, the study of Omer (1992) exposed that religion is the prime cause of selecting IBs among the Muslim customers in UK, his findings were consistent with the studies conducted by (Al-Ajmi et al. 2009; Jalaluddin & Metwally 1999; Metwally, 1996); Metawa and Almoosawi 1998; Naser et al. 1999). Religion was not the chief factor of driving customer motivation toward IBs (Haron et al, 1994). In contrast, Ahmad & Haron (2002) demonstrated that religion was the primary motivation behind the selection of IBs by Muslim customers. Zainuddin et al. (2004) also stated that religion was a major influential factor in formulating the customers decision toward the IBs. Dusuki & Abdullah (2006) concluded that Muslim customers were more interested in religious issue when selecting IBs. Additionally, Muslim & Zaidi (2008) examined different factors that influence customer and bank relationship. They concluded that religion was the chief influential factor that affects the relationship amid customers and banks. Haque et al. (2009) stated that an Islamic bank which complies with Shariah rules was expected to have a greater number of Muslim customers; this indicates that religion issue has greater importance for Muslim customers at the time of choosing a bank. They also suggested that price or cost and interest rate could also be the major influential factors at the time bank selection. Erol et al. (1990) stated that there are considerable distinction amid the pricing patterns and policies of Islamic banking and those of conventional banking. Kennington et al. (1996) found that competitive interest rate and price are the primary factors that affect customer's decision to select a specific bank.

Elliot et al.(1996), stated that many customers gives primary preference to lower cost and speed of transaction to complete. The study of Jalaluddin & Metwally (1999) suggested that profitability is the major cause of driving customer's motivation toward a specific bank in Australia. Their study also revealed that Small Business Enterprises (SMEs) have greater concern about the interest rate on loans offered by the banks. Earlier many researchers have supported the crucial role of interest rate in customer decision to select a bank such as (Gerrad and Devlin, 2004; Ennew and Devlin, 2005; Boyd et al. 1994). Haron & Ahmad (2002) and Marimuthu et al. (2010) stated that cost and benefit comparison plays a key role in customer decision to select a bank in Malaysia.Mokhlis et al. (2008) has recommended that convenience and pricing were the major forces that influence customer decision to select a new bank or switch another bank. Dusuki & Abdullah (2006) stated that cost of financial products has important effects on customer's attitude towards the bank. Moreover, bank selection also relies on reputation, good image and branding, as good image results in the sustainability of market share and strengthening the relationship amid the customers and bank Musslim et al. (2010). In the earlier study conducted by Erol & El-Bdour (1989) found that reputation was the core influential factor in the criteria used by the Muslim and non-Muslim customers for both IBs and CBs. Their findings were further supported by Boyd et al. (1994); Kennington et al. (1996) who revealed that bank reputation was the primary reason of selecting one bank over another irrespective of Islamic bank or CBs. Their findings were in line with the studies carried out by Naser et al. (1999), Almosawi (2001) in Jordan and Bahrain. Various studies in Malaysia such as Dusuki & Abdullah, 2006; Haron et al., 1994; Dusuki & Abdullah 2007) concluded that customers perception toward the banks were primarily formed by the reputation and image of the banks and therefore, used as a most crucial criteria to chose a bank. Another important factor which can influence customer's attitude toward the banks is the level of knowledge and awareness about the banks product, services, culture and principles. According to Erol & El-Bdour (1989) customer awareness and knowledge about IBs in Jordan was considerably affected by their friends, relatives and neighbors. Cunningham & Gerrard (1997) stated that Muslim would have more knowledge about the IBs culture, principles, product and services, though both non-Muslims and Muslims have low knowledge related to the culture of IBs. Therefore, there is no basic knowledge among customers related to Islamic banking system. Most of the Muslim customers have the least knowledge about the fundamental terms of Islamic banking Metawa & Almosawi (1998); Naser et al. (1999). Bley & Kuehn (2004) found that Muslim

students select Islamic banking over CBs just because they were Muslims but widely most of them have little knowledge of finance and banking. Similarly, the study of Karrbhari et al. (2004) revealed that Muslims in UK were mostly unaware of the IBs system. Similarly, Haron et al. (1994) concluded that many people have wished to use the Islamic banking products and services in Malaysia if they had sufficient knowledge and understanding of IBs system. This indicates that these people were having some awareness about IBs but have not enough understanding of specific methods as a result they were unable to differentiate amid Islamic banking and conventional banking. Moreover, Haron & Ahmad (2002) found that 65% of the banks customers have limited awareness related to the products and services of IBs. Various researchers such as (Boyd et al., 1994, Erol & El-Bdour, 1989, Dusuki & Abdullah, 2006, Haron et al., 1994, Hegazy, 1995, Gerrard & Cunningham, 1997) revealed that bank selection relies on speed to complete transactions, efficient and good quality services. According to Boyd et al., (1994) location was the primary factor that influences customer's decision to select a bank. Apart from this, Kennington et al. (1996) unveiled that time efficiency and pleasant treatment by bank personnel were the major criteria for bank selection. However, Dusuki & Abdullah, (2007), Almosawi (2001) stated convenience such as the availability of Automatic Teller Machine (ATM) and parking spaces were the major factors in determining the customer's attitude toward the banks.

2.5: Summary of the Chapter

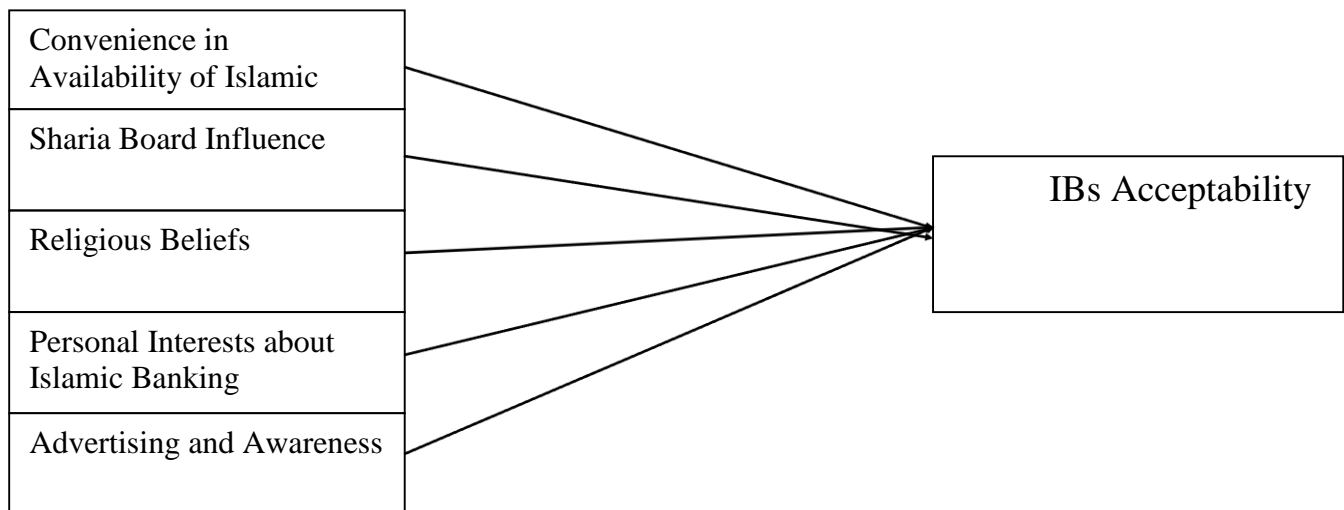
The concept and practices of IBs is growing at a substantial rate across the world and has become a strong substitute or choice to conventional banking by means of offering an attractive products and services to its customers (Ahmed, 2009; Pollard & Samers, 2007; Hassan, 1999). The practices of Islamic banking is purely based on the Islamic Guidelines and principles of economics, finance and contract laws, these Guidelines and principles make distinction amid IBs and CBs structure, contracts, framework and economic objectives (Usmani, 2005; Wahyuni, 2012; Iqbal 2010). The Sharia law requires the economic and business activities to effectively work towards the broader goals of social justice, equality and long term sustainable socio economic growth in the economy along with the inclusion of all the segments of the society in the growth and development process.

CHAPTER: 3: METHODOLOGY OF THE STUDY

3.1: Theoretical Framework

The systematic review of literature guided, to form a theoretical framework composed of different constructs, discussed in relation to the current review, a framework is a relationship between the constructs. During the review different constructs have been highlighted due to limitation and less importance few are dropped or which are not very important for customer prospects. This theoretical framework shows the relationship of different constructs identified from the review in relation to acceptance of IBs in Pakistan. Advertisement and awareness, convenience and availability, Religious beliefs, personal interests towards IBs, the reputation of the banks are the propose constructs for future research work.

Figure 1: Theoretical Framework



Source: Author Generated

The underlying objective of this framework is to present the multiple construct relationship in a diagrammatic form. The picture clearly states that the Advertisement and awareness, convenience in availability of IB's, Sharia Board, Religious beliefs and Personal interests towards IBs are the constructs which are independent and have impacts on the acceptability of IBs.

Based on systematic review, the multiple views regarding relationship between constructs has been observed from previous researchers with the dependent construct which is acceptance of Islamic banking. As obvious from the above framework advertisement and awareness have a positive

relationship with the acceptability of IB's, proposes that with high advertisement and creating awareness will increase acceptability of IB's, Similarly, Pakistan has rich cognitive values, as a result of strong religious beliefs (Yunis, M., 2012). The proposed framework, states in the light of previous work done that, being Muslims our religious beliefs are strong therefore inclination towards IBs acceptability is positive. Convenience in availability of the model has a positive relationship with the acceptability of IBs. The framework proposes that IB's availability will increase its acceptance. Similarly, the model here proposes a positive relationship with acceptability, however, in the review, some inferred positive, strong relation will other stated insignificant relationship while the above model proposes positive relationship. Personal interests towards Islamic have also a positive relationship with acceptance of IB's, as evident from the proposed model. The literature discussed the non-Muslim as well for the extracting relationship; however, here the model only proposes the relationship for the Muslim population only. An explanation of the selected factors for analysis is provided as under.

3.1.1: Advertisement and Awareness

Erol and Bdour (1989) in Jordan observed that people are very much aware of conventional and Islamic banking system; they possess product knowledge and details of services being provided by both types of banking. However, majority of customers feel no difference in conventional and Islamic banking procedures. Consequently, Worthington and Gait (2007) observed a study which analyzed the perception of around three hundred Muslims about Islamic banking in United Kingdom. During that time, CBs were playing the role of IBs as well, by offering Islamic products under the same umbrella. The study concluded that Muslims in UK are very much unaware of Islamic principles of finance. In case of Pakistan, Rehman and Khattak (2010) stated that large number of consumers were unaware of Islamic financing products like, Ijarah, Musharaka and Murabaha, Arguably awareness and advertisement is compulsory, more likely being a developing country where literacy rate is low and majority of the population resides in rural areas (Express Tribune, 2014-2015), awareness at the gross root level and advertisement at national level can play a robust rule in setting up attitude towards Islamic banking. Positive words of mouth in shape of advertisement can spread the message to the masses. Organization employees are the primary medium to create awareness and spread the word in this regard (Mousavi, Nosratabadi, & Saeidi, M. R. 2015). Therefore, education and training of IB's are compulsory in order to deliver the

Islamic banking products and services in their true sense. Accordingly, the study used questions in instrument of the study in order to ascertain the knowledge and understanding gained by the customers from advertisements and other information sources of the bank and consequently, their attitudes and behaviours towards IBs in accordance with level of their knowledge.

3.1.2: Convenience and Availability

Cengiz Erol and Radi El-bdour (2007) argued that ease to access, public relations, are regarded as major factors inducing customers to choose IBs. Some other factors like, bank reputation, staff behavior, bank's environment, and availability of parking area also help winning the mindset of customers. IBs offer credit facilities on negotiable terms and less profit rate, on the other hand offers higher return to customers on saving accounts. Same kind of study was conducted by Boyd, Leonard and White (1994), the existing research studied customer satisfaction with number of Islamic banking products and services along with four major service delivery channels of IBs including, facilities available at banking premises, employees, location of bank's branch, and late banking hours. Such criteria (for example, customer's contentment with products and services and other service providing elements) are intended to provide satisfaction and comfort to the customers of Islamic banking. Knight (2007) observed that convenience customers prefer to follow recommendations based on location, reputation, internal environment, service quality, and behavior of staff; on the other hand the service customers prefer to consider ease to credit facilities, rate of return, and positive attitude of staff.

. The expedient working time, the presence of ATM machines and providing its facilities near to the house and offices of the customers are also considers core factors to shape the customer attitude towards the acceptance of IBs (Haron in 1994). The convenience in the availability of the products and the services from the banking is also analyzed by Kaynak and Whiteley (1999) in his analysis of the factors affecting the acceptance of IBs, the findings suggest that the motivation of the banks is highly influenced by the convenience in the availability of the banks. Accordingly, this study has also adopted question of (Ahmed, 2009; Pollard & Samers, 2007; Hassan, 1999) in order to investigate the level of convenience and availability pertaining to IBs in Pakistan.

3.1.3: Personal Interest and Attitudes towards Islamic Banking

To perform Islamic banking operations, it is necessary to have confidence and reliability among the parties. A customer should trust its Islamic bank and Islamic bank on the other hand serve the

customer under true Shariah rulings (Zaltman, Moorman & Deshpande, 1992). This point is also discussed by Hunt and Morgan (1994) by stating that, trust is about the confidence of one party over another to perform partnership in an effective manner.

In comparing the interest of the Muslim and the Non-Muslim Customer towards the IBs Loo, (2010) presented that the Muslim customers are very much supportive of the IBs however, the Non-Muslim customers do not view the banking industry in a broad sense and they relate the IBs just to the Muslims. The X generation however has a different perception of the IBs and for the reason they have positive attitude towards the IBs.

It is evident that Islamic banking is gaining its place in the global financial system. People from their interest and decision on certain beliefs, so before attracting them towards Islamic banking their concepts and beliefs tends to be adjusted by providing sufficient evidence regarding Islamic banking. As presented above the personal interest and attitudes of the customers also determines the customer acceptance, Accordingly, this study also adopted items in the questionnaire in order to ascertain the level of personal interest and attitudes of customers towards IBs.

3.1.4: Sharia Board Influence

IBs are largely conforms to the Sharia and due to this it is obligatory for all the IBs to establish their Sharia Advisory Board. The main purpose of establishing their own Sharia Advisory Board is to guides the function and operation of IBs banks which comply with the guidelines and principles of Sharia (Haron & Ahmad, 2002). The IBs mainly attracts the customers based on the religious grounds and for the reason the banks customers are interested in the Sharia Compliance of the banks. The study of Al-Mossawi & Metawa, (1998) also asserts that the Sharia Compliance is the obligatory function of all the IBs and therefore, customer is more concerned with the compliance of IBs to its Sharia principles and Guidelines. Hassan & Shahid (2007) argue that under Islamic banking system Sharia Board is highly significant to ensure that all the functions of IBs are in accordance with the Islamic Sharia and also to give surety to the customers that the products, services and function of Islamic banking system is entirely based on the principles and guidelines of Islamic Sahria. However, it is important to understand and evaluate that how much importance do the customers places on the role of Sharia Board of the IBs. The same is measured using different items adopted in the questionnaire of the study.

3.1.5: Religious Beliefs

Numerous studies have been carried out to investigate the effect of religious factor on the customer selection of Islamic bank. These studies concluded different findings as it was expected that religion is the most significant influential factor for customers to select a bank especially for Muslims. However, some studies shown that religion factor has no greater importance in the selection of banks. Metawa and Al-Mosawwi (1998) concluded that religion is a most important factor that influences customer attitude towards banks in Bahrain. Bley and Kuehn (2004) conducted in UAE. His study revealed that Muslim interest in IBs was mostly based on religious viewpoints and beliefs and not on financial and business knowledge. Therefore, the stronger the religious thoughts and beliefs the more would be the possibility of choose IBs service. Khan et al. (2008) unveiled that religious belief is the primary force that influences customer selection of IBs in Bangladesh. Naser et al., (1999) examined the criteria of bank selection; their study found that religion is the second important factor that effects customer selection of banks in Jordan.

Marimuthu et al., (2010) found that the service quality, ease of availability and the trust and responsiveness of the banks are important relatively to the religious beliefs of the non-Muslims and the Muslims customers; the religion is not the basic motive behind the acceptance of banks. Hasan et al., 2012) suggested that religious beliefs does not significantly effects customer choice to select a bank but serves as a secondary factor which drives customer motivation toward the selection of banks.

Cognitive institution is strong in Pakistan, people contributes to philanthropic activities whole heartedly but less active towards adhering tax regulations (Yunis, M., 2012). Therefore, in Pakistan's context religious beliefs indeed is a major factor towards acceptability of the IBs and the importance placed by the customers in this regard is measured using different items in the instrument of the study.

3.2: Methodology

Methodology presents an orderly approach used by this study to provide answers to the research questions. This section of the study presents an overview of techniques and methods followed by the study to collect data for the variables under the analysis of the study and present methods used to analyze the collected data.

3.2.1: Research Philosophy & Research Approach

Three major philosophies are generally used by the researchers to carry their research which includes inductive, deductive and the mix of both the inductive and deductive philosophy to provide answers to the research questions. This qualitative approach is followed by the study as qualitative themes, patterns and data are analyzed to establish assumptions using inductive approach. On the other hand, deductive approach is used to analyze data and to make a conclusion from the data analysis so as to verify the study hypothesis. The research approach is used according to the nature of this study and the result obtained from the data by the use of different econometric tools and methods. There are major four types of research approaches widely used which includes namely, Interpretive, Positivism, Realism and Pragmatic. This study however, based on the appropriateness with the research question and objectives of the study Positivism approach is used to analyze the quantitative data by utilizing statistical methods and techniques for analyzing this data.

3.2.2: Research Design

There are two main research designs normally used for research studies in social sciences namely, qualitative and quantitative research designs. These research designs are used to provide answers to the research questions. The current study use quantitative research design as this study is based on the analysis of quantitative data and therefore, statistical tools and techniques used to provide answers to the research questions.

3.2.3: Research Strategy

Research strategy presents the tools and techniques used by the study to collect data for all the variables under the analysis of the study. Generally, researchers use census, experiments and surveys to accumulate data for analysis. The current study uses survey technique to collect data through self-administered questionnaires from the respondents.

3.2.4: Data Collection

There are two types' data which can be used for the analyses namely primary and secondary data in order to analyze and understand research questions. The primary data is comprises through the distribution of research questions among the customers of IBs.

3.2.4.1: Instrument of the Study

Questionnaire of the study refer to the source used to collect data from the customers in the sample of the study. The pattern of research questionnaire is adopted form the study of (Ahmed, 2009; Pollard & Samers, 2007; Hassan, 1999). The questionnaire contains on the three main parts. In research questionnaire all questions are ranked form one to five point Likert scale.

3.2.4.1.1: Reliability test

All the items in questionnaire except the demographic part are ranked on a five point likertscale. The internal Reliability of the questionnaire items will be assessed using the Cronbach`s Alpha test. The test value exceeding .70 suggest internal reliability of the items. The test was conducted for all the variables of the study and the results are as under,

Table 1: Reliability Test

S.No	Variables	Cronbach's Alpha Values
1	Acceptance of Islamic bank	.73
2	Convenience in Availability of Islamic Banking	.78
3	Sharia Board Influence	.76
4	Religious Beliefs	.81
5	Personal Interests about Islamic Banking	.71
6	Advertising and Awareness	.75

As given in the table above the Cronbach's alpha value for all the variables is higher than .70, therefore it is constituted that all the items for each variables an instrument of the study holds internal reliability.

3.2.5: Population of the study

The current study is aimed at comparing the performance of CBs and IBs in Pakistan. The customers of CBs and IBs in Pakistan constitute the population of the study and the sample of the study was collected from this population. These customers will provide primary data for the analysis through questionnaires.

3.2.6: Sample and Sampling Technique

The sample of the study was collected from the banks operating in Peshawar Khyber Pakhtunkhwa. In the first step random approach was used to select 20 banks, 10 each from CBs and IBs in KP. In the next step using a convenience based sampling technique a sample of 200 respondents has been selected from these banks for the survey of the study.

3.2.7: Data Analysis

This section presents the statistical methods and techniques that will be used for the data analysis. The study used multiple regression model for analyzing the data. The Multiple regression analysis used a single dependent and Multiple explanatory variables for analyzing the relationship. The Multiple regression analysis works under the following assumptions which are verified before proceeding towards regression model for analysis of the relationship.

- I. Assumption of Normality:** This is the first assumptions which implies that the data is normally distributed. This study used the skewness and kurtosis analysis for checking this assumption of regression.
- II. Assumptions of Normality of Residuals:** The second regression assumption is regarding the normality of the residuals of the regression model and the study used the P-P plot for checking the normal distribution of the error term.
- III. Assumption of Collinearity:** The third assumption is regarding the collinearity presence in the data and the study used the correlation matrix.
- IV. Assumption of Hetroscadisticity:** This is the final assumption of the regression and checks the heterogeneity of the data. The study used the scatter plot for analyzing this assumption of the study.

The study uses the acceptance of IBs as a dependent variable and the other 5 variables are used as the explanatory variables in the model. The regression model of the study is given in the following equation of the study

$$AIB = \alpha + \beta_1(AA) + \beta_2(SB) + \beta_3(RB) + \beta_4(C\&A) + \beta_5(PI) + \varepsilon$$

Where:

AIB= Acceptance of Islamic Banking

AA = Advertisement and Awareness

SB = Sharia Board Influence

RB= Religious Beliefs

C&A = Convenience and Availability

PI = Personal Interest

β represents the coefficients of the regression equation,

E represents error term

CHAPTER: 4 RESULTS AND DISCUSSION

In order to investigate the acceptance of IBs in Khyber Pakhtunkhwa (KP), Pakistan this study used a survey technique for collection of data. The study collected data from 200 customers of banking sectors in Peshawar. This section presents the results and discussion for data analysis of the study. The first section presents the demographics of the survey participants while the second section presents the descriptive statistics for the data. The third section presents the regression assumption while the fourth section presents the regression analysis. The last section of the chapter presents discussion of the results of the study.

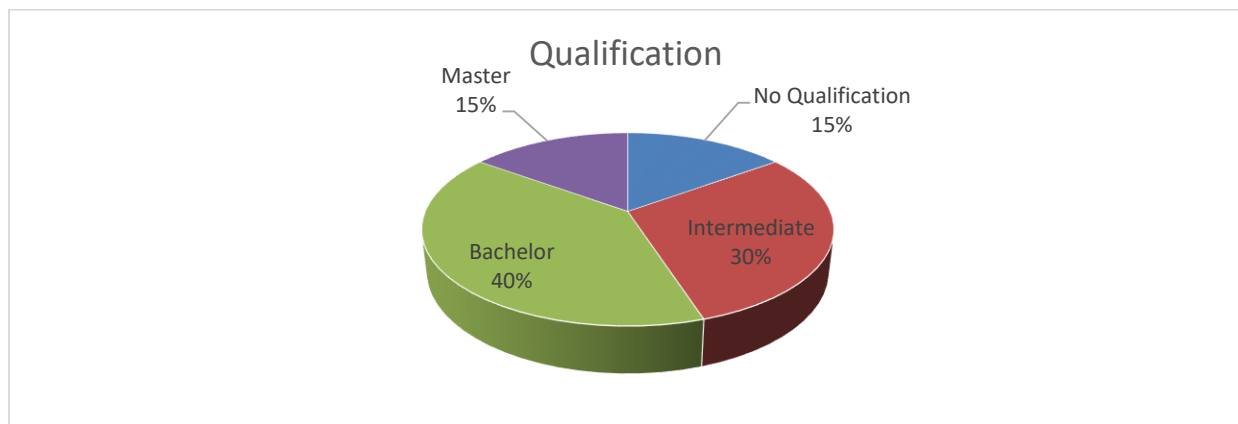
4.1: Demographics of the Respondents

This section presents the demographic characteristics of the respondents of the study. Table-2 of the study presents the qualification of the respondents.

Table 2: Qualification of the Respondents

		Qualification			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Qualification	30	15.0	15.0	15.0
	Intermediate	60	30.0	30.0	45.0
	Bachelor	80	40.0	40.0	85.0
	Master	30	15.0	15.0	100.0
	Total	200	100.0	100.0	

Figure 2: Qualification



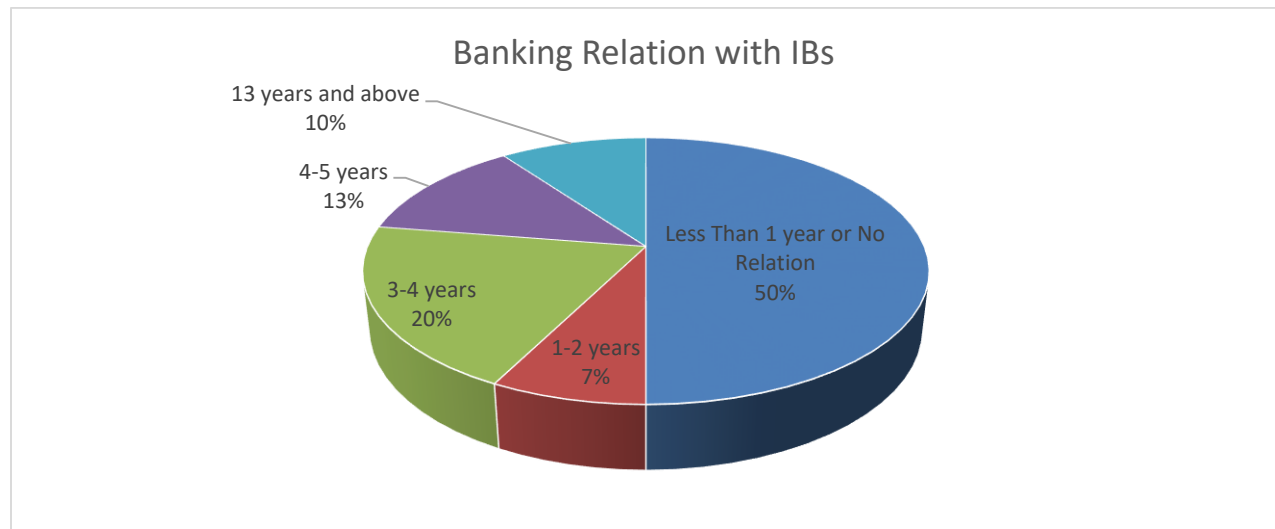
In the table it can be observed that 40% of the respondents having bachelor qualification. Among the respondents 30% have intermediate qualification while 15% each for Master and respondents having no qualification. The same has been depicted in Figure-2.

Table-3 presents the information collected from the respondents which clearly shows that 50% of the respondents have either no experience or less than one year experience with IBs. Among the respondents 20% have banking relation with IBs for almost 3-4 years, 10% have above 10-year relation with IBs, 12% have 4-5 years' relation with IBs while the remaining 7% have banking relation with IBs for almost 1-2 years. The same has been reflected in Figure-3 of the study.

Table 3: Experience

		Banking Relation			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less Than 1 year or No Relation	100	50.0	50.0	50.0
	1-2 years	15	7.5	7.5	57.5
	3-4 years	40	20.0	20.0	77.5
	4-5 years	25	12.5	12.5	90.0
	13 years and above	20	10.0	10.0	100.0
	Total	200	100.0	100.0	

Figure 3: Banking Relation with IBs



4.2: Descriptive Statistics

The descriptive statistics of the study are provided in Table-4. Column-1 of the table presents the number of total observation for the entire variable and it can be seen that there are a total of 200 observations for every single variable used in this study. Column-2 of the table shows the mean values for all variable of the survey. This mean value suggest the average score assigned by the participant to each of the variable. The mean value for Advertisement and Awareness is 3.8 suggesting that on average the respondents are in agreement that Advertisement and Awareness are important factors in determining the acceptance of Islamic Banks. The mean value for Sharia Board Influence is 3.9, for religious beliefs it is 3.98. The mean value for Convenience and availability of IBs is 4.02, the mean value for personal interest is 3.93 while the mean value for acceptance of IBs is 3.83.

Similarly, the column-4 of the table shows the values for standard deviation of each variable of the survey and it can be seen that the Standard Deviation (SD) value for Advertisement and Awareness is .69, the SD value for Sharia Board Influence is .622, for religious beliefs it is .65. The SD value for Convenience and availability of IBs is .600; the mean value for personal interest is .55 while the SD value for acceptance of IBs is 1.28.

Table 4: Descriptive Statistics

Descriptive Statistics			
	N Statistic	Mean Statistic	Std. Deviation Statistic
Advertisement and Awareness	200	3.8792	.69092
Sharia Board	200	3.9500	.62244
Religious Beliefs	200	3.9850	.65951
Convenience & Availability	200	4.0250	.60046
Personal Interest	200	3.9375	.55408
Acceptance of IB	200	3.8300	1.28427
Valid N (list wise)	200		

4.3: Regression Assumption

This section presents the regression assumption used for the data analysis. The regression assumption is important for the accuracy and predictability and goodness of the fitness of the regression model.

4.3.1: Test for Normality

Table-5 of the study presents the test for normality of the data. The first statistics in this regard is Skewness which should not be different than zero for a normal distribution. The third column presents the Skewness statistics for the variables and skewness statistic for variables of the study is similar to that of Zero and therefore presents that is data is normally distributed.

Table 5: Normality Statistics

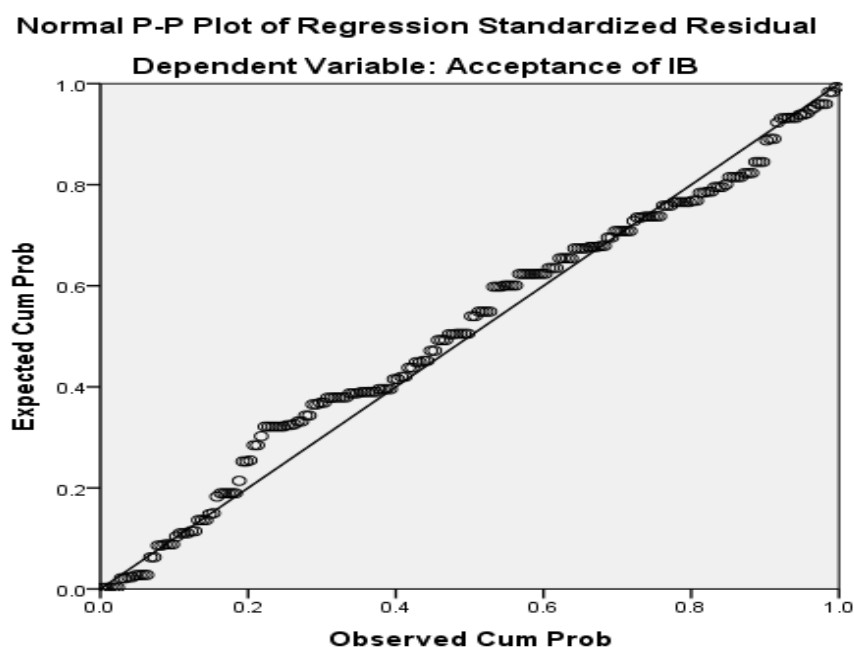
	Normality Statistics				
	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Advertisement and Awareness	200	-.041	.172	-.543	.342
Sharia Board	200	-.051	.172	-.649	.342
Religious Beliefs	200	-.017	.172	-.302	.342
Convenience & Availability	200	-.063	.172	-.628	.342
Personal Interest	200	.026	.172	-.621	.342
Acceptance of IB	200	-.058	.172	.108	.342
Valid N (list wise)	200				

Likewise, the next statistics used for checking the normality of the data is Kurtosis the value of Kurtosis should be less than 3 for a normal distribution. The fifth column of the table presents the Kurtosis statistics and the Kurtosis value for all the variables is less than 3 suggesting that the data is normally distributed. Both the Skewness and Kurtosis statistics of analysis suggest the normality of distribution of the data.

4.3.2: Normal Distribution of Error Term

The second assumption of the regression analysis is the normality of distribution of error term of the study. This study used the P-P plot for analyzing the normality of the residuals and the results are provided in figure-3 of the study.

Figure 4: P-P Plot



It can be observed from the figure that the residuals are normally distributed along the fitted line and further suggest verify the second assumption of the data analysis.

4.3.3: Multi-collinearity Test

In order to check the data for problem of multi-collinearity among the explanatory variables this study used the correlation matrix for analysis. The correlation coefficient for the explanatory variables greater than or equal to .70 suggests a problem of co linearity in the data (Almossawi & Metawa, 1998). It can be observed from the correlation matrix above that the correlation coefficient for all the explanatory variables under analysis is less than .70 and suggest that collinearity level is insignificant between the explanatory variables under analysis. This suggest that there is no significantly high association between the explanatory variables under analysis and hence suggest that the data is free of collinearity problem.

Table 6: Correlation Matrix

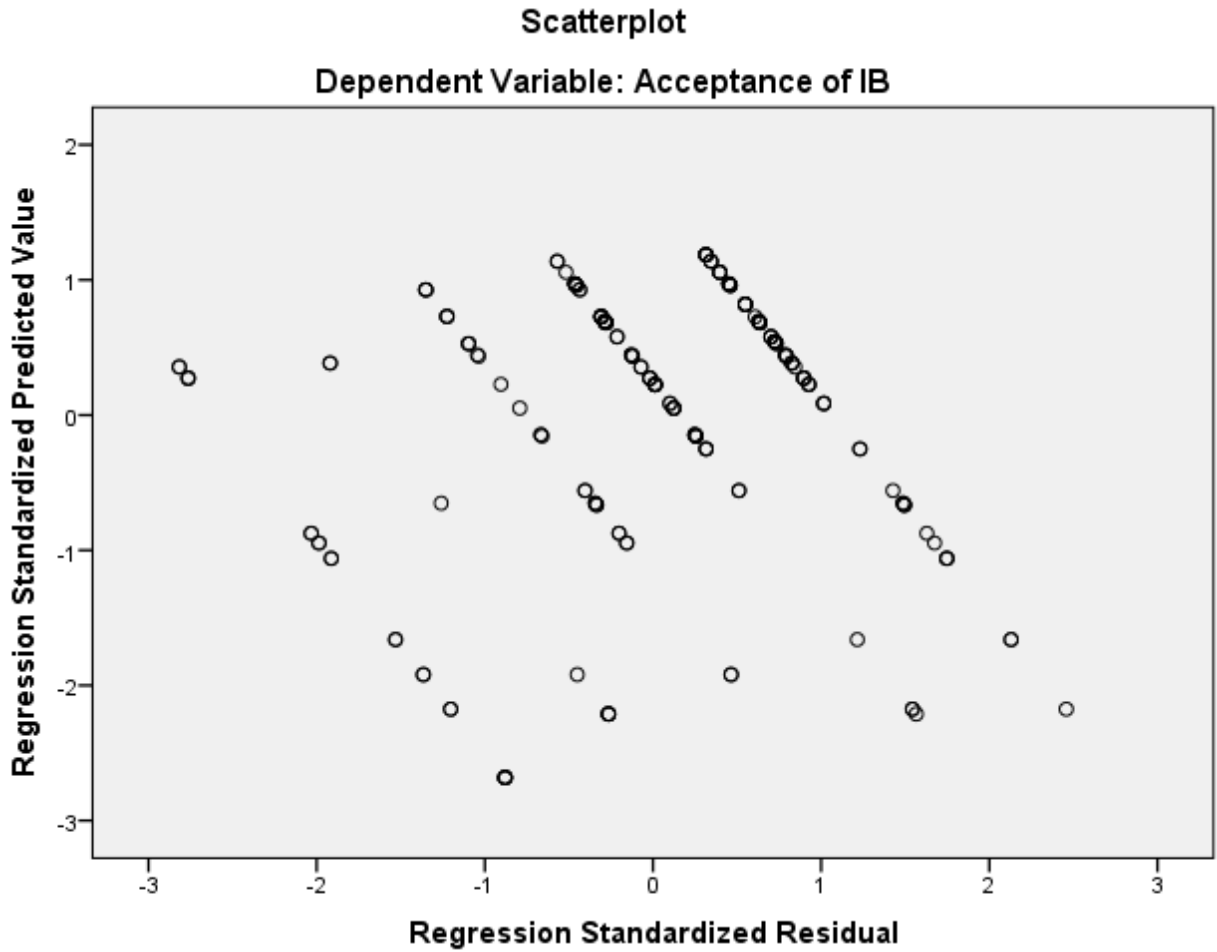
		Correlations				
		Advertisement and Awareness	Sharia Board	Religious Beliefs	Convenience & Availability	Personal Interest
Advertisement and Awareness	Pearson Correlation	1	.280**	.607**	.492**	.460**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	200	200	200	200	200
Sharia Board	Pearson Correlation	.280**	1	.108	.282**	.534**
	Sig. (2-tailed)	.000		.127	.000	.000
	N	200	200	200	200	200
Religious Beliefs	Pearson Correlation	.607**	.108	1	.618**	.623**
	Sig. (2-tailed)	.000	.127		.000	.000
	N	200	200	200	200	200
Convenience & Availability	Pearson Correlation	.492**	.282**	.618**	1	.407**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	200	200	200	200	200
Personal Interest	Pearson Correlation	.460**	.534**	.623**	.407**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	200	200	200	200	200

** . Correlation is significant at the 0.01 level (2-tailed).

4.3.4: Test of Heteroscedasticity

In order to check the problem of heteroscedasticity in the data the study used the scatter plots of the residuals and predicted values. The results are presented in Figure-5 of the study and it can be seen in the model that residuals of the regression do not show any specific pattern or trend and are normally distributed. This suggests the normality of the data.

Figure 5: Scatter Plot



4.4: Regression Analysis

The data after the analysis for assumption of the regression is then analyzed by using the multiple regression model and the results are presented in this section of the study.

Table-7 presents the model summary of the regression model and the model presents that the R value for model is .542 showing an association between the acceptance of Islamic banking and explanatory variables. The R square value in the model is .29 suggesting that the explanatory variables under the analysis explain almost 29% of the variation in the acceptance of IBs in Pakistan. Similarly, the adjusted R square value is .27 and suggests that the 26% of the variance is explained by these explanatory variables.

Table 7: Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.542 ^a	.294	.276	1.09270

a. Predictors: (Constant), Personal Interest , Sharia Board, Religious Beliefs , Convenience & Availability , Advertisement and Awareness

b. Dependent Variable: Acceptance of IB

Table-8 of the study presents the ANOVA for the regression analysis of the study which shows the goodness of fitness of the model. In the model the F value for the model is 16.179 while, the P value is .000 which is less than .05 showing that the value is significant at $P < .01$ and hence, implies the goodness of fitness of the overall regression model used in the study. The significance of the F value holds that the model is a good fit and is accurately predicting the relation of explanatory variables with the acceptance of IBs in Pakistan.

Table 8: ANOVA

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	96.587	5	19.317	16.179	.000 ^b
	Residual	231.633	194	1.194		
	Total	328.220	199			

a. Dependent Variable: Acceptance of IB

b. Predictors: (Constant), Personal Interest , Sharia Board, Religious Beleifs , Convenience & Availability , Advertisement and Awariness

Table-9 of the analysis presents the coefficient for the relationship of the variables under analysis. In the table the beta for relationship of Advertisement & Awareness with the Acceptance of Islamic Banking is 3.498 while the T value is 5.1. The T value should be greater than 1.68 at 5% level for significance of the relationship. This implies significance of the relationship at $P < .01$. This implies that there exists a direct relation between Advertisement & Awareness and acceptance of IBs in Pakistan. This suggests that an increase in awareness increases the level of acceptance for Islamic banking in Pakistan.

The beta for relationship of Sharia Board Influence with the Acceptance of IBs is .156, while the T value is .879 which shows the insignificance of the relationship at $P > .10$. This suggests that Sharia Board has insignificant effect on the customer choice of selecting IBs over CBs.

Likewise, the coefficient for relationship of religious view points and beliefs with the Acceptance of IBs is 3.893 while, the T value is 6.319 which imply the significance of the relationship at $P < .01$. This implies that there exists a direct relation between Religious Beliefs and acceptance of Islamic banking in Pakistan and an increase in Religious beliefs increases the acceptance level for IBs in Pakistan.

Table 9: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.468	.664		.705	.482
	Advertisement and Awareness	3.495	.685	1.880	5.100	.000
	Sharia Board	.156	.177	.076	.879	.381
	Religious Beliefs	3.893	.616	1.999	6.319	.000
	Convenience & Availability	3.851	.752	1.800	5.119	.000
	Personal Interest	4.375	.925	1.888	4.730	.000

a. Dependent Variable: Acceptance of IB

The slope beta for Convenience & Availability of IBs with Acceptance of IBs is 3.851 and a T value of 5.119 while, the coefficient for relationship of personal interest and acceptance of IBs is 4.375 and the T value for the relationship is 4.730 which show the significance of the coefficient at $P < .01$. This suggests that convenience and availability and personnel interest has a significantly positive effect on customer choice of selecting Islamic banking over conventional banking in KP, Pakistan.

4.5: Discussion of the Results

In the banking sector customer satisfaction have greater essence in the market strategies and policies of banks as this sector is experiencing an increasing competition due to new entrants to the market including both mutual organizations and supermarkets. The development in information technology makes it more competitive as the world is becoming a global village. Therefore, in banking sector service quality is not only indicates the performance but also ensures banks survival. As a result, banks needs to be more focused on customer retention and customer satisfaction than ever before Goode & Moutinho, 1995; Hanif et al., 2010; Nicholls et al., 1993; Prince & File, 1992; Goode et al., 1996; Jamal & Naser, 2003; McDougall & Levesque, 1996;

Naser et al., 1999;). Moreover, banking sector in Pakistan has a diversity of sophisticated customers. In an intensive competitive market greater attention should be paid to strategies which are primarily concentrated on customer retention and satisfaction. To achieve this quality of existing products and services should be enhanced and innovative products and services must be offered. Levesque and McDougall (1996) explain that customer makes selection of a bank based on some criteria and factors which formulate selection criteria effects customer satisfaction toward a bank. Numerous studies have been carried out to point out the reasons behind selecting a particular bank, these studies includes (Abbas et al., 2003; Ahmad & Haron, 2002; El-Bdour & Erol, 1989; Denton & Chan,1991;Erol et al., 1990; Dushuki & Abdullah, 2007; Laroche & Taylor, 1988; Decker & Khazeh, 1992; Kaynak et al., 1991; McDougall & Levesque, 1996; Jamal & Naser, 2003; Hassan & Rashid, 2009; Rehman & Khattak, 2010; Tan & Chua, 1986). The reason and significance of factors that effects banks selection vary with researchers. Some of the important factors revealed by these studies are Sharia'h supervisory committee in the context of IBs, advice from relatives and friends, profitability, security and safety, efficiency and effectiveness of online banking services, low service charges, location, convenience in transactions, the extent of services and facilities on offer, trust in bank management, advice quality given by the banking personnel and image of banks. In the case of IBs, customers are more interested in the compliance of Sharia'h principals by the IBs (Ahmad & Haron, 2002; Erol et al., 1990; Kader, 1993; Jamal & Naser, 2003; Almosawi & Metawa, 1998; Haron et al, 1994; Naser et al., 1999).

The results presented above suggest that there exists a significantly positive association between Advertisement & Awareness of IBs and the acceptance of IBs in KP, Pakistan. This suggest that people are not aware of the Sharia compliant services and products of Islamic banking and an increase the degree of awareness of Islamic banking can positively affect the acceptance level of IBs. Arguably, awareness is important in developing countries where literacy rate is low and majority of the population live in rural areas (Express Tribune, 2014-2015), awareness at the gross root level and advertisement at national level can play a robust rule in setting up attitude towards Islamic banking. It has become very necessary for IBs as they have to deliver products and services at branch level. In the meantime, IBs will also share their list of products offering along with thorough description to answer all relevant queries. Customers with high level of education and interest in banking are often anxious to learn more about bank's services and products being their

area of interest, for instance, financial world (Ali, Zainol and Shaari, 2008). Additionally, researchers also observed that frontline staff of the bank plays an important role in developing perception about their institution to outer world. Bank employees not only satisfy customer's needs but also let customers to assess their behavior and develop perception accordingly. Positive and humble attitude of employees will help develop positive image of Islamic banking among its target market. Nordin and Hamid (2001) carried research and observed the significance of Islamic banking education. Depending upon past researches, one can say that services and products of IBs are well perceived by Muslims. Customers other than Muslim customers have inadequate knowledge about IBs, however there are many non-Muslim customers who are well aware of major difference between conventional and Islamic banking. Researchers also concluded that, corporate clients have little information about Islamic banking operations and procedures. The reason behind such ignorance is that, IBs are not making serious efforts to educate their target market.

As previously reported by Wangenheim and Bayon, (2004), although the mass media advertisements in the banking industry is not of important for the acceptance of the banks however, the words of mouth is an important attitude setter in the household and Professional customers. Zainuddin et al. (2004), suggest that awareness and words of mouth about the banks services and products positively influence the customer's attitude towards IBs.

The results show an insignificant association between the Sharia Board Influence and the acceptability of IBs in KP, Pakistan. Previously studies such as (Metawa & Al-Mossawi, (1998); Hassan & Shahid (2007)) presented significant association between acceptability of Islamic banking and Sharia Board influence. Many studies provide strong evidence that Islamic bank selection over conventional bank is due to religious grounds. However, in the case of IBs customers are more interested to know that whether the activities of IBs are in accordance with the Sharia'h principles in all stages (Ahmad & Haron, (2002); Haron et al., 1994; Khan et al., (2007); Metawa & Al-Mossawi, (1998)). Compliance to Sharia'h rules is deemed to be important for IBs as their foundation is entirely based on Islamic Sharia'h. Therefore, it is obligatory for IBs to perform in accordance with the Sharia'h rules along with offering of interest free loans and Sharia'h compliant services. However, as Khan et al. (2007), that Sharia Board factor is not much visible to the customer and hence they do not are significantly influenced at times. The insignificant relationship in the current analysis also can be attributed towards the same findings

that people do not have enough knowledge regarding the Sharia Boards of the banks and are hence their attitudes are not much affected by the sharia boards of the banks.

The religious beliefs are also found as an important determinant of acceptability of Islamic banking in KP, Pakistan. Muslim preference for Islamic bank was mostly based on religious beliefs and not on financial knowledge. Therefore, the stronger the religious beliefs the greater would be the possibility of choose Islamic banking service. Khan et al. (2008), unveiled that religious belief is the primary force that influences customer selection of IBs in Bangladesh. Naser et al. (1999), examined the criteria of bank selection; their study found that religious beliefs are the second important factor that effects customer selection of banks in Jordan. Accordingly, El-Bdour and Erol (1989) carried out a comparative study in Jordan and found that profitability was a major motivational factor for customer to select a bank and religious motivation was not a major farce to influence customer decision to select a specific bank. The study of Abdullah and Dusuki (2007) pointed out that religious beliefs were not the main criterion for customer to select a bank in Malaysia. They found that competent, knowledgeable and friendly personnel along with quality services were the main patronage factors that influences customer attitude toward the banks. The study of Khattak & Rehman, (2010) revealed that religion plays a significant role in setting customers attitude towards the Islamic bnaks. In a similar study, Marimuthu et al., (2010) also suggest the religious beliefs of the non-Muslims and the Muslims customers; that religions have no significant effect on the selection of banks. Hasan et al., (2012) found that religions does not play a primary role in the selection of banks for both Muslims and non Muslims customers and is considers as a secondary factor that can effects customer choice of banks. Cognitive institution is strong in Pakistan, people contributes to philanthropic activities whole heartedly but less active towards adhering tax regulations (Yunis, M., 2012). Therefore, in Pakistan's context religious beliefs indeed is a major factor towards acceptability of the IBs.

Regardless of conventional or Islamic, the availability and convenience of bank is deemed to be the most significant factor in determine the acceptability towards a certain bank. People are interested in banks that they can approach quickly and with convenience and comfort. Therefore, the branch network of a bank is the most significant factor in determining banks acceptability. The results of the study also suggest that acceptability of Islamic banking in KP, Pakistan is highly affected by the convenience and ease of availability of the banks. Kaynak and Whiteley (1999) in

his analysis of the factors affecting the acceptance of IBs found that the motivation of the banks is highly influenced by the convenience in the availability of the banks. Likewise, Riggall (1980) also suggest that convenience of banks services and products is essential in setting customers attitudes towards the banks selection and switching by the current customers of banks.

As Erol and el-bdour (2007) argued that ease to access, public relations, are regarded as major factors inducing customers to choose IBs. Some other factors like, bank reputation, staff behavior, bank's environment, and availability of parking area also help winning the mindset of customers. IBs offer credit facilities on negotiable terms and less profit rate, on the other hand offers higher return to customers on saving accounts. Same kind of study was conducted by Boyd, Leonard and White (1994), the existing research studied customer satisfaction with number of Islamic banking services and product along with four major service delivery channels of IBs including, facilities available at banking premises, employees, location of bank's branch, and late banking hours. Lastly, the personal interest is also important is setting customers attitude towards Islamic banking. The study found positive results for the association of personal Interest and acceptability of Islamic Banking in Pakistan. Khan et al. (2007) found that religious interest of people is significant in attracting Customers from the CBs and retaining these customers. Loo, (2010) also suggest that Muslim customers are very much supportive of the IBs however the Non-Muslim customers do not view the banking industry in a broad sense and they relate the IBs just to the Muslims. Haron et al., (1994) in their paper stated that commercial banking customers analyzed the awareness and the interest of the customers towards the IBs. To perform Islamic banking operations, it is necessary to have confidence and reliability among the parties. A customer should trust its Islamic bank and Islamic bank on the other hand serve the customer under true Shariah rulings (zaltman, Moorman & deshpande, 1992). This point is also discussed by Morgan and hunt (1994) by stating that, trust is about the confidence of one party over another to perform partnership in an effective manner. Johnson and Garbarino (1999) further explains trust as a individuals confidence over services quality provided by Islamic bank. For IBs, trust is the moral duty under which every person perform his duties with respect to social, economic, and political (Hanafi & Sallam, 1997; Haron & Shanmugam, 2001; Wilson, 1997). In the Muslim populated countries, the scenario however is different and the Interests of the Individual also differ from the Customers in the Non-Muslim countries. A study in Bangladesh by Khan et al. (2007) found that 70% of the customers has previous relationship with the CBs suggesting that the customers are attracted by their religious

interest and these customers has almost four-year relationship with the IBs which again signifies the fact that the IBs is effective in attracting Customers from the CBs and retaining these customers.

Customer acceptance is primarily based on the level of satisfaction of the customers from the products and services provided by a firm. According to Kotler (2000) the satisfaction of the customers is based on the perceived pleasure or disappointment experienced by the customers relatively to their expectation from a particular service or product. Likewise, Hoyer and macInnis (2001) also suggest that satisfaction and acceptance is related to the happiness, excitement, relief and fulfillment. Hansemark and Albinsson (2004) further explain the acceptance of customers as the difference between the actual and expected fulfillment of needs, desires and goals. haughton , Eshghi and topi (2007) presents that individuals satisfaction is vital in developing the trust and loyalty of the customers with the brands and create value for the company. Deng et al. (2009) have contended that customers satisfaction is important to enhance the level of acceptance of the customers and to develop and maintain strong relationship with the customers. Soderlund and Rosengren (2008) contended that positive awareness and friendly relationship with the customers of the company play a vital role to improve the level of satisfaction of the customers. East (1997) also presents that if the relevant factors are sufficient to satisfy the customer than the acceptance level of the customers is increased. File and Prince (1992) have also contended that the level of acceptance of the customers also results in positive word of mouth from the customers. Naser et al. (1999) have presented that customer acceptance is highly imperative for the success and survival of a company in a highly competitive market.

CHAPTER: 5: CONCLUSION AND RECOMMENDATION

5.1: Conclusion of the study

In the last few decades the annual growth rate of IBs sector in Pakistan had reached to 30%. The IBs in Pakistan has spread across the 87 different districts in the country with almost 19 different IBS operating with approximately 1500 branches in different cities. The premises of growth of Islamic banking depend on religious beliefs and many economic determinants. From the Islamic banking perspective, many authors attached the concept of justice with Islamic banks and emphasis on two fundamental factors of Islamic finance: the religion factor and the profitability factor (Haron, 1996b; Nawaz & Bardai, 2017). The deposits and assets of Islamic banking were recorded almost one trillion by the first quarter of 2014 and are expected to be double in the year 2020. The growth prospect and the Profit opportunities in the IBs sector makes the industry highly attractive for the differnt finacinal institutions to enetr into the markets and explore the tools and the factors which can help the banks acheives a reasonable share of profit from the Industry. The previous stduies have highlighted many differnt factors such as the religiose obligations, social and cultural norms, attitudes of individuals, Sharia Compliance of the banks, the banks services and products as the main determinants of the Islamci banking industry Nawaz, H. (2015).Islamic banking is prospering in both Islamic and non-Islamic cultures. Customers of IBs feel prestige and privilege while performing business with IBs. Therefore, IBs should perform up to the expectation of individuals. Therefore, acceptance level of consumers is taken as dependent variable in terms of Pakistani Islamic banking along with some independent variables that will be discussed in later part. Analysis of demographic characteristics and Islamic banking awareness are also shared to get more understanding on factors which may influence acceptance level. Islamic banking industry possesses a catalyst growth potential however due to insufficient knowledge in order understand the customer attitudes and preferences and identifying the factors relevant to the acceptance level of the customers has restrained IBs from growth and capitalizing on the opportunities (Thambiah et al., 2010). The attitudes and preferences of Islamic banking customer is important in determining the level of customer acceptance to IBs and presents the selection criteria for IBs. In the intense rivalry among the banks in banking industry every single factor and margin is important for capitalizing on opportunities and gaining competitive edge in the markets, Islamic banking selection criteria or the determinants of level of acceptance for the IBs.The factors highlighted in

the literature present an important area for analysing the role of these factors in determining the level of acceptance for IBs in Pakistan.

The current study takes the issue into the economy of Pakistan and explore the differnt factors which are considered important in farming the attitudes and the aceptatnce of the customers towards the IBs. From the indepth analysis of previous reserach studies and the primary data which will be collected and analyzed by the reserach will present an important insight from the emrging market of Pakistan.

In order to analyze the role of different factors in determining the attitudes of the customers to Islamic banking in KP, Pakistan, this study used a survey technique. The study collected from 200 banking customers in Peshawar, KP, (Pakistan) using a self-administered questionnaire. The data collected was then analyzed through the multiple regression models. The results of the study suggest that Religious beliefs, Convenience & Availability, Personal Interest and Awareness and Advertisement are found to have positive association with the acceptability of Islamic Banking in Pakistan and are thus considered important determinants of Islamic banking. The result however, shows an insignificant association between Sharia Board and acceptability of Islamic banking. The overall results of the study are in line with the previous results from other study setting in different parts of the world.

5.2: Recommendation

The results show significant association between level of awareness & advertisement with the acceptability of the IBs. There is very little knowledge about Islamic banking in Pakistan and it has been the main reason for customer ignorance towards Islamic Banking. The IBs can enhance the level of knowledge and awareness of IBs in Pakistan by effective knowledge based advertisement campaigns. Similarly, the front desk officers in IBs also need proper knowledge and education on IBs and its Sharia Compliance as it is the most important factor in strengthening the attitudes towards IBs. The branch network for IBs in Pakistan is limited as compared to branch network of the CBs and it is one important area which the IBs needs to concentrate on expanding their branch network that will attract customers towards IBs. The IBs can affect the religious beliefs towards Islamic banking by arranging seminars and conferences addressed by religious scholars.

5.3: Future Research

This research used a questionnaire survey technique for analyzing the factors determining the acceptability of IBs in KP, Pakistan. Further, studies may consider the used of in-depth interviews with banking customer in Pakistan to deduct the perceptions, attitudes and knowledge of customers about IBs in Pakistan.

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Appendix

This questionnaire is aimed at collecting data for research Project on “Acceptance of Islamic Banking. A Critical review of Advertisement & Awareness, Religious Beliefs, Convenience and availability towards Acceptance of IB”. Please, mark (√) your agreement with the following statements. The information provided will kept confidential.

Name (Optional) _____ Gender _____ Age _____

Qualification _____

For how long you are using the Banking Channel _____?

1 = Strongly disagree, 2 = disagree to some extent, 3 = Neutral, 4 = Agree, 5 = Strongly Agree.

A. Advertisement & Awareness of Islamic Banking	1	2	3	4	5
1. I am aware of the Sharia Ruling on Interest in Conventional Banking and have significant knowledge of the alternates to avoid Interest					
2. I understand the difference in objectives and structure of IBs as compared to CBs.					
3. Islamic banking industry is free from Interest, Uncertainty and Gambling and avoid haram investments					
4. IBs deals in commodities and not in Cash					
5. The IBs have helped me came across the IBs via their advertisement					
6. Islamic banking advertisements and awareness campaigns convenience me about Islamic banking					
7. IBs provide necessary information and awareness required by their customers					
B. Sharia Board Influence					
8. Sharia Board in IBs ensure adherence to Sharia Guidelines at first preference					

9. Sharia Board of IBs are not pressurized by Bank`s management to violate any Sharia Guideline or Principle					
10. Sharia board supervise all the products, services, operations and transactions of IBs					
11. The presence of “Resident Sharia Board Member” in Sharia Boards of IBs keep the business more transparent					
12. The Sharia Scholar in my service provided Bank board are Competent and Trustworthy					
C. Religious Beliefs					
13. Islam is a complete code of conduct and Islam has comprehensive modes and teachings for Economic and Business transaction					
14. The Economic and business Models developed by Islamic Sharia best serve the social wellbeing Islamic society.					
15. The ruling of Sharia on Interest, gambling and uncertainty ensures the prosperity and success of this world and hereafter					
16. Dealing in interest bearing transaction carries serious harms and punishment in this world and hereafter					
17. Interest is a Curse					
D. Convenience & Availability Of Islamic Banking					
18. Islamic Banking Branches offer more convenient locations					
19. I have availability of Islamic Banking branches at my home as well as office location					

20. Islamic Banking Branches are available nearly all important points in the city					
21. My business parties prefer to deal through Islamic Banking as they have convenience and availability as well					
E. Personal Interests Towards Islamic Banking					
22. Islamic Banking offer a new way of banking with Sharia Compliance					
23. Profit and Loss sharing is more rationale to me					
24. Islamic Banking Products Provide Religious comfort					
25. Islamic banking offer solutions to different personal and business needs					
F. Acceptance of Islamic Banking System					
26. IBs serve as an alternate to conventional all the banking for all banking needs of customers under Sharia Guidelines					
27. IBs offers products and services in Line with needs and preferences of customers seeking Halal banking transaction					
28. I trust Islamic banking and intend to continue my business with bank in long run					
29. Islamic Banking offer Interest free loans					
30. I am willing to invest in Islamic Banking due to is Sharia Compliant products even if it carries a chance of loss					