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Factors Affecting the Adoption of Islamic Banking in Pakistan

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1.0 INTRODUCTION

1.1 Overview:

Islamic banking or interest-free banking has gained prominence since it turned up in the financial sector in the 1970's. Although, this form of banking was first introduced in Egypt in 1963 in the city of Ghamr (Martin, 1997), but due to intense political pressure it had to be abandoned. The motive behind introduction of this form of banking was to provide Muslim population with a system of banking that adhered to their religious teachings, and helped them to live life in accordance with Islamic principles. Although, interest-free banking came to a halt in Egypt, but the concept gained prominence among the Muslim leaders, who have an obligation to provide Muslims a system of banking that does not violate the principles of Islam. Thereby, Nasser Social Bank (Al-Suwaidi, 1994) and many more similar banks emerged.

Where there was a Muslim population there emerged an Islamic Bank. Dubai Islamic Bank was opened in 1975, as the first private Islamic institution, which subsequently became the largest Islamic bank in 1987. This concept of Islamic banking has not only become an integral part of Middle Eastern countries banking system but also has spread to South East Asia where Malaysia has been playing an important role in developing a modern Islamic banking system. Even the smallest Islamic nations like Brunei Darussalam, has adopted the Islamic banking system since its inception in 1993. Thus, it can be concluded that wherever there is a Muslim population there is bound to be an Islamic financial institution in order to cater their needs.

Islamic banking is an alternative to the centuries old conventional banking system of the western world. The remarkable success of the Islamic banking as an alternative to the prior mentioned system has made this system a strong contender for deposits and clients. The past two decades have been very good for Islamic banking which was previously considered to be a niche player, catering to the needs of Muslim population only. But its progress has allowed it to be adapted by the western world and take advantage of its practices.

The progress of Islamic banking can be judged from the following facts:

- From an initial USD 1 billion with only 10 Islamic banks in 1975, Islamic banks now command an asset base of USD 160 billion (Ebrahim and Tan, 2001).

- The roots of Islamic banking system span across Asia, Europe and Africa (Martin, 1997).
- Approximately US \$ 1 trillion in Islamic wealth is being circulated via the global financial system and these assets are expanding at the rate of between 12% and 15% annually (Fernandez & Shamsudin, 2004).
- Usage of Islamic banking products and services are not confined to Muslims (Bank Negara Malaysia, 2004).

1.2 Definition of Islamic Banking:

Islamic banks are organized to collect deposits from their clients and use this money by investing it in profitable projects. Such projects subsequently lead to the development of the economy and the society. The bank or any other party can retain the ownership of the venture. These institutions also play a vital role in creating equity in the society by fixing the role of capital. Islamic banks not only provide capital to well off individuals of the society but also to poor individuals, who might have a viable project but lack the capital that is required for them to make their dreams come true.

1.3 Objectives of Islamic Banks:

Following are the objectives of Islamic banks:

- Religious objectives: to enforce the laws of God Almighty. And by doing so correct the role of capital in the society, business and economics. Moreover, tailor the society according to the teachings of Shariah (Fernandez & Shamsudin, 2004).
- Social Objectives: develop the society in terms of economics and social aspects. Impose strictly on individuals the payment of Zakat (Bank Negara Malaysia, 2004).
- Economic Objectives: Retain the capital of Islamic land within the Islamic region. And use this capital for the prosperity of Islamic land (Martin, 2001).

1.4 Difference between Islamic Banking and Conventional Banking:

- The basic difference between the two systems is Islam.
- As the shariah principle strictly prohibits the charging of interest or riba, therefore the Islamic mode operates on a profit-loss sharing basis. Whereby, the provider of capital and borrower of capital share the risk (Ebrahim & Tan, 2001).

- Islamic banks are entrusted to invest in projects and generated profits that will be shared (Kahf, 2002). This notion is different from conventional banking system in which the depositors will earn interest for the money that they have deposited.
- Whereas, conventional banking involves collateral-based lending which seems to favor established businesses (Siddiqui, 1985)? Contrary to this fact, Islamic banking provides capital to entrepreneurs who have a viable project. Thus, it helps poor entrepreneur who are cash constrained.
- For an Islamic bank to introduce a product it needs to get approval of the Shariah board, whereas managers in a conventional bank do not require any approval from the board in order to introduce a product.
- A shift from interest to profit sharing makes it necessary for banks to assess the future prospects of the venture for which the bank is funding. Thus, instead of being a mere financier, the bank takes on the role of financier-entrepreneur.
- In this profit sharing system the entrepreneur, the bank and the depositor all parties gain or lose together.

1.5 Background

Islamic Financial Services sector is growing at a double digit rate. It has over 200 financial Institutions with an asset base estimated to be exceeding US \$200 billion (Al-Dhahiri, Al-Khamiri, and Al-Hamli, 2003). Although the growth has been most noticeable in Arab Muslim markets, but the impact of this sector has been felt in many non-Arab Muslim and non-Muslim societies. Yet, our knowledge of consumer motivations for choosing Islamic versus conventional banking services is modest and the research to date is limited and confusing on these key dimensions.

As one of the most important player in the banking services industry today, Islamic banking is no longer considered to be a mode of banking that is tailored for the Muslims only, keeping in view their religious obligations and customs. Islamic banks not only cater to the needs of Muslims but also have erupted as a source for non-Muslims to have variety when they choose a financial product. Thus, Islamic banking offers non-Muslims more products from which they can choose from. This entails Islamic banks to identify the perception of customers towards them in terms of their service quality, product quality and other such factors that help them in securing customers loyalty.

In countries like Pakistan where Islamic banks have to compete with conventional banks, as the banking system in such countries is dual (Dual banking system); they require accurate research which can enlighten them about value addition they can offer in order to attract customers to their doorstep.

1.6 Islamic Rational behind Prohibition of Interest:

Money is a means to store value and thus acts as a medium of exchange. When it is used to create more money than the problem arises. This is because the only way money can make money is through interest earned or charged. In conventional banking terminology this is called fixed deposit with fixed return of interest rates given by banks. The passive return of money is not allowed because it is not used as capital in the economic sense.

Islamic banks ensure that money supplied by depositors are treated as investment and profit are given to funds supplier based on the return that investment makes (Tannenbaum, 1998). That is why deposits in Islamic banks do not provide a fixed return contract but rather indication of how much the return is at the end of maturity.

Transactions in Islamic banking should be free from speculation, risk and uncertainty. Parties undergoing the transaction should have complete knowledge of the transaction. This is to create fairness in the financial system. Thus, the system aims to create a win-win situation for all the parties in the transaction.

1.7 Dual Banking System:

The co-existences of two different regulatory structures for state and national banks in a country; this result in differences in practice with regards to how credit is regulated, legal lending limits and variations of regulation from state to state.

In Pakistan banking system in which Islamic banking system operates in Parallel with the conventional system. In Pakistan currently 51 banking institutions are running their operations. These institutions encompass five Islamic banks and 46 conventional banking institutions out of which 15 conventional banks also run an Islamic window.

1.8 Islamic Banking system in Pakistan:

In light of the Islamic banking wave that engulfed the entire globe the government of Pakistan introduced interest-free banking on a nation-wide scale in the late 1970s. A national level strategy

was devised, but due to the size of the task which was to integrate Islamic banking in the current financial system of the country, it was decided that Islamization of the banking sector be done in phases.

Despite the government's effort to promote Islamic banking, Islamic financing in Pakistan could not be practiced in its true spirit and the banking sector is facing multitude of challenges in its implementation.

Islamic banking and Islamic financial institutions are an integral part of today's economy of Pakistan. As this system is plays a helping hand in development of the country along religious lines. Since 2007, in terms of assets the domestic Islamic banking industry has grown at an average rate of 18 percent per annum. It has a market share of 20 percent when talking about financing and deposits in the country. The aim of the State Bank of Pakistan is to have a strong and flourishing Islamic banking industry and thus it has supported all measures to deepen the roots of this system in the economy of the country.

Although Islamic banking sector has the support of the State Bank but in order for it to compete in such a competitive banking industry, with a dual banking system and strong commercial banks in the picture. It is essential for Islamic banks to create a strong strategic position and maintain their competitive edge. Moreover, it is imperative for them to offer products and services that satisfy the needs of their customers.

The Islamic banking system consists of the following banks. Some of them offer Islamic banking as an alternative to conventional banking while some are purely Islamic banks:

- Meezan Bank Limited
- Bank Islamic Limited
- Dawood Islamic Bank
- Allied Bank Limited
- Faysal Bank
- Bank Al-Habib
- Standard Chartered
- UBL

- Bank Alfalah
- Dubai Islamic Bank
- MCB
- Citi Bank
- Silk Bank
- Albaraka Islamic bank Limited

1.9 Benefit of Islamic banking System:

While propagating the case of Islamic banking system Scharf (1983) states that this system of banking can play a vital role in economic growth and development particularly in the situation of recession, stagnation and low-growth-level because their core operation is focused towards productive investment. Islamic system based on Shariah is not only feasible but also profitable.

The purpose of Islamic banking is to create a system of banking that revolves around justice and morality (Ayub, 2002).

1.10 Recent Development with regards to Interest-free banking:

Western countries have also realized the kind of burden which interest creates. Thus as a measure to curb the impact of interest on those who have to pay it particularly the developing countries following important invest have taken place:

- Canada have waived off all interest from it borrowers.
- Australia has made similar moves as Canada.
- President Mitterrand of France has officially suggested in a meeting of G-7 that at least 30-35 percent of the present interest element of debt should be waived off (Ahmad (1994).

1.11 Strategic Focus of Islamic Banks:

Since Islamic banks are organized around Islamic laws or Shariah. So it is quite obvious that all Islamic banks should have consistent practices and procedures, but it is interesting to know that Islamic banks differ in their practices. This indicates a loss of strategic focus by Islamic banks who should work in compliance with Islamic principles. This loss of focus from the side of Islamic banks is also leading to confusion in the minds of consumers who are finding it difficult to differentiate Islamic banks from conventional banks as most of the Islamic banks are employing practices which are associated with conventional banks.

Islamic banks are not free to do as they please, but they have to combine moral values in their economic actions. The objective of Islamic banks is not maximizing profits but to maximize social benefit. Islamic banks are supposed to offer instruments consistent with religious belief and customs of Muslims.

1.12 Products of Islamic Banking:

Islamic banking is a system which is based on Islamic principles and Islamic economics. Under both it is prohibited to collect interest payment, commonly known as *riba*. Moreover Islamic laws also prohibit contracts that are based on the occurrence of future uncertain events. Thus speculation which is an integral part of western financial system is totally prohibited in Islam. Since this action entails risk and support the undertaking of fraudulent behavior.

The above mentioned condition should be met by all the products that Islamic banks offer. Following are the products that are offered by an Islamic bank. Some of these have resemblance to conventional banking products:

- Bai' al'inah: is a financing facility having the underlying buy and sell transaction between the financier and the customer.
- Bai' bithaman ajil: it is the sale of goods on deferred payment basis at a price which includes a profit margin agreed to by both parties.
- Bai' muajjal: a financing technique that takes the form of *murabahah muajjal*. In this a bank earns a profit margin on the purchase price and allows the buyer to pay the price of the commodity at a future date in a lump sum or in installment.
- Musharakah: is a joint venture agreement in which parties to the venture provides funds to be used in a venture. Profits are shared according the percentage of invested capital.
- Mudarabah: a special type of partnership contract in which one partner offers the working capital and the other does the actual work of the enterprise that is he manages the enterprise.
- Musawamah: this is the negotiation of a selling price between two parties without reference by the seller to either costs of or asking price.
- Bai salam: is a contract in which advance payment is made for goods to be delivered later on.
- Ijarah: in this concept the bank makes available to the customer the use of services of assets for a fixed period and price.
- Qardul Hassan: loan extended on a goodwill basis.
- Sukuk: Islamic bond.
- Takaful: Islamic Insurance.
- Wadiah: bank deposit

1.13 Problems faced by Islamic Banks:

According to the research report titled, “Assessing Islamic banking concepts and practices in Egypt”, Islamic banks are engulfed in many problems. The problems are general and include both internal and external issues. Problems are very stern and include lack of innovation in coming up with new financial products. Also, there exists a problem of lack of management experience in this industry. Compounding this problem is the fact that individuals working in this sector do not trust the offerings of this industry as a result of which they are not able to convince their customers. And thus due to the in availability of skillful believers’ Islamic banking is suffering from mismanagement.

Islamic banks also have failed to create investment instruments that meet the needs of individuals. Thus most of their products now resemble conventional banks and thus have blurred the difference between Islamic banks and conventional banks.

Islamic banks are also experiencing surplus of cash as they have been successful in attracting deposits but since limited numbers of investment opportunities exists. Cash out has been less than inflow that has reduced the power of cash due to the deflationary effects of inflation.

Also since Islamic bank work parallel to conventional banks they are also subjected to regulatory environment that is being faced by conventional banks. Thereby, hampering the banks functioning. This has serious repercussions as the industry is still infancy compared to its counterpart.

At the client level Islamic banks are encountering clients who are unfamiliar with this mode of banking and have ingrained in them conventional banking features. Also clients are displaying fraudulent behavior whereby they are opening accounts and showing losses. Also clients are not willing to understand the profit and loss concept and are demanding immediate returns in the form of interest which is totally not acceptable in Islamic Shariah.

Another problem is the non-existence of a network of Islamic banks. As a result of which banks having access capital cannot transfer money to banks that have viable projects that are seeking capital, which they don’t have.

2.0 LITERATURE REVIEW

The literature with regards to Islamic banking is still in a process of evolution. The industry is still relatively young compared to its counterpart that is the conventional banking system. The drivers of Islamic banking are not that much clear and are still being identified. But religious motivation is considered to be the most profound driver of this system and has been considered to be the fundamental difference between the two banking systems. Other such criteria s that have been identified include service quality, product quality and banks reputation.

Gerrard and Cunningham (1997) in their research found that the selection criteria for Muslims and Non-Muslims are same. But they also report that 25% of the respondents of their study thought that religion was the main reason for preferring an Islamic bank.

2.1 Bank Reputation:

Nasser, Jamal and Al-Khatib (1999), reported that consumers consider bank reputation as a valid criteria to be considered when selecting a bank. The researchers also found ignorance amongst the respondents with regards to Islamic banking products. 70% of their respondents conveyed that religion was the main reason for selecting an Islamic bank.

Haron Sudan, Marketing Strategy of Islamic Banks, 1996, writes that consumers also consider as a valid consideration criterion: the reputation of a bank and the group behind the bank before they open an account in the bank. They feel a sense of safety if the bank is a subsidiary of a well to do group or is backed by the state.

Almossawi and Kennington, 1996 concluded that bank's reputation is the most vital factor that encourages the use of conventional banking services.

2.2 Service Quality:

Haron, Ahmad and Planisek (1994) in their study that was conducted in Malaysia found that an Islamic bank selection criterion also depends on non-religious aspects such as service quality. Service quality includes service efficiency, transaction speed, general atmosphere of the bank and attitude of the bank personnel's.

Abd El-Fattah, Assessing Islamic banking progress in Malaysia, 2001, writes that Islamic banks are not competing with their counterparts at the service level. The service of Islamic banks is far behind conventional banks and thus customers are getting no benefits from Islamic banks in term

of services. Therefore if Islamic banks have to compete with conventional banks they need to come up with new services and improve existing services.

Delvin, 2002 in his research article wrote that professional advice with regards to product selection play a vital role in bank selection. This was showed through the customer satisfaction level with a bank because it offered professional advice for home loans.

Moutinho and Smith, 2000, found that customers feel highly satisfied with banking services like automated banking.

Pont and McQuilken, 2005 in their research paper concludes that customers are highly loyal to a bank that offers a variety of services and products.

2.3 Islamic Banking Products:

International Journal of Islamic Financial Services, Vol.5, No.4, reports that a general lack of knowledge exists amongst the respondent with regards to Islamic banking products. An Islamic bank needs to convey the knowledge about the difference between the products of Islamic banking system and conventional banking system. In order to enhance their competitiveness the players of this system needs to clarify their offering which is becoming complicated because of the use of Arabic language.

Ernest Cyril in his research paper Awareness, understanding and behavior of Islamic banking, writes that although customers are aware of Islamic banking facilities but there exist a general lack of understanding about the kind of products that Islamic banking offers. Also the correlation between religion and preference for Islamic banking is positive. Moreover aiding religion is race that also plays a vital role in acceptance of Islamic banking.

2.4 Islamic Banking Employees:

In their research report Madhia Arshad and Samina Razi, A comparative analysis of banker's perception of Islamic banking, 2001 found a lack of understanding existing amongst bankers with regards to Islamic banking products and services. As a result of this lack of understanding innovation with regards to product introduction is being hampered and therefore it is recommended to conduct training, seminars and other such activities that would enhance the bankers understanding of these products which in term would lead not only to innovation in this field but

also better conveying of information to customers who have even more limited knowledge of Islamic banking.

2.5 Strategic direction of Islamic Banks:

Suleman Aziz Lodi and Rukhsana Kalim, Strategic Direction for developing an Islamic banking system, 2004 writes that Islamic banks are in disarray in terms of their strategic focus. Thereby Islamic banks should work towards information sharing that can help identify the main motivator that they can use to develop a sales pitch for their products and services. This research also finds that banks reputation that includes the asset base of the bank, groups reputation (to whom the bank belongs too) also plays a vital role in setting the strategic direction for a bank.

2.6 Islamic banking Customers:

A.H.Gates, an Empirical Survey of Individual Consumer, Business Firm and Financial Institution Attitudes towards Islamic Methods, writes that Islamic banking has created a substantial degree of market segmentation and its logical key determinant is religious conviction. But it is not the only concern for individual customer. Other factors that are of concern to him are bank reputation, service quality and pricing. This study also points towards some similarity towards Islamic banking and conventional banking in terms of products and services. Thereby, religious conviction is the variable that impacts the most and may be the differentiating factor in the end. Unfortunately, as reported by the study, the level of knowledge regarding Islamic finance is still very low among individual customers. And more so in countries where this industry is still emerging. Thus, making it imperative that promotional material is made as helpful in answering the questions that comes to a consumers mind.

2.7 Challenges to Islamic Banks in terms of products and services:

Ibrahim Ahmed, Assessing the Islamic Banking concepts and practice in Egypt, 1998, writes that Islamic banks are facing tremendous amount of challenges. These challenges include product awareness amongst customers, resemblance of Islamic products with conventional products, leakages in the system and many more. Other more important problem having a profound impact on the entire sector is the confusion prevailing among the employees of the Islamic banks. The confusion exists because of the inability of the employees to differentiate between the two parallel modes of banking and thus this is leading to confusion being transmitted to customers. Also Islamic banks are also to finding or getting hold of the right talent to promote their cause.

2.8 Marketing Strategy of Islamic Banks:

In his research report Bunchuan Dahang, Islamic Banking and Finance: is it complementing or is it competing the conventional banks, 2006, writes that Islamic banks are still far behind in terms of creating a network of Islamic banks as a result of which they are limiting their option to invest in projects that are more viable than the options available to individual banks. this research reports that Islamic banks have been very aggressive in their marketing campaign and thus have attract huge amount of capital but since there limited good investment opportunities available to them they have not been able to generate the return they expect to generate. In this research the research also talks about the lack of supplementary services that Islamic banks have should have offered.

The above mentioned paper also concludes that although religion does play a vital role in selecting an Islamic bank but other factors have also turned up. These factors need to be accounted for by Islamic banks if they have to compete successfully. Islamic banks need to come up with new products in a market where differentiating is very difficult to achieve. They also have to compete at the service level as conventional backs are proving to be more superior to them in this regard. Islamic banks should take measures to understand the needs, preferences and behavior of their customers if they want to remain in the market. Thus there marketing strategy should be tailored for the acquisition and retention of customers.

2.9 Random Factors:

Kaynak and Whiteley, 1999 in their research reported that convenience of a bank was the primary motivation for its selection. This convenience motivator includes location, service quality.

While Kaynak and Harcar, 2005 in their research paper found that profitability factors which include low service charges, high interest rates and sustainable returns are the major selection criteria for a bank. These researchers also concluded that efficient service is also a very import aspect and should not be ignored.

3.0 RESEARCH METHODOLOGY

3.1 Research Design:

Research is a Quantitative one and is a descriptive study.

3.2 Population:

The population for this research will be those respondents who hold an account in a bank (working class and retiree).

3.3 Sample Size:

Response of 384 respondents will be collected.

3.4 Sampling Method:

Non-probabilistic sampling method is going to be used because the list of population is not available. Convenience sampling will be used as the sampling method.

3.5 Research Tool:

Questionnaire will be used to capture the response of the respondents.

3.6 Plan of Analysis:

By using the following applications the conclusion of the study would be reached:

- Descriptive Statistic
- Frequency tables
- Cross Tabulations
- Hypothesis Test
- Significance Test
- Correlation Test

3.7 Software Employed:

SPSS version 16 will be used for tabulation of data, sketching graphs, analyzing and interpreting the data. Analysis on the Questionnaire responses will be done exclusively on SPSS (Statistical Package for Social Sciences). Some of the graphical presentations and comparison tables will be generated through Microsoft Excel.

3.8 Problem Definition:

Although Islamic banking came to the financial scenario in the 1970s and despite government's extended effort to make it a strong part of the entire financial system of the country, the system has yet to achieve its setout targets (Iqbal Munawar & Ahmad Ausaf, 1998). Thus through this research I want to test the drivers of this Islamic banking system which were identified in other parts of the Islamic world. By employing these variables correctly, an Islamic banking industry should be able to generate the same demand as it has generated in other parts of the Islamic world.

Thereby, after this research Islamic banks would be able to re-examine their strategic outlook and create for themselves a profitable and sustainable environment.

3.8 Purpose:

This topic aims to discern the motivator that compels the consumers to enter an Islamic bank. Variables such as service quality, product quality and religious conviction will be tested to find out the most potent variable in this industry. After the analysis it would be pretty clear where the competitive advantage lies in this sector. And which variable/factor could be developed to generate a competitive advantage for the success of this industry.

3.9 Hypothesis:

H₀: Religious conviction, product quality, service quality and bank reputation affects the preference for Islamic banking.

H_{a1}: Religious conviction does not affect the preference for Islamic banking.

H_{a2}: Product quality does not affect the preference for Islamic banking.

H_{a3}: Service quality does not affect the preference for Islamic banking.

H_{a4}: Bank reputation does not affect the preference for Islamic banking.

3.9.1 Independent variable:

Product Quality: Since Islamic banks are alternative to conventional banking system this makes it even more important for it to come up with innovative products. Only by doing this they would be able to sustain their competitiveness. Also Islamic banks have to show the customers the value that their products offer or the need these products meet.

Service Quality: This variable includes aspect of banking like convenient branches, helpful personnel, transaction speed, and information facilitation.

Bank Reputation: this includes the level of security of deposits or certainty of liquidity the bank can offer.

Religious Conviction: the belief that Islamic banking conforms to the principles of Shariah and provides an alternative in the form of interest free banking along with the reputation of the shariah advisory council which is a reflection of the bank's commitment to Islamic practices.

3.9.2 Dependent Variable:

- Preference for Islamic Banking: the customer's choice to opt an Islamic bank over a conventional bank when opening an account.

3.10 Theoretical Framework:

The independent variables of the study are product quality, service quality, religious conviction and bank reputation. All these variables have been defined above. Let's see the individual relationship between the dependent variable and independent variable:

3.10.1 Product quality:

As the conventional banking system has been around for centuries; it has developed a depth of products to offer to its customers. This makes it difficult for Islamic banking to come up with immediate answers to the product portfolio of conventional banks.

3.10.2 Service Quality:

The concept and impact of product quality and service quality are similar. Conventional banking system is in a different stage of the product life cycle or service life cycle as they are older than Islamic banking system. They have more rich services which are more appealing to customers and therefore Islamic banking will have to come from behind to overtake the kind of services which conventional banking system offers.

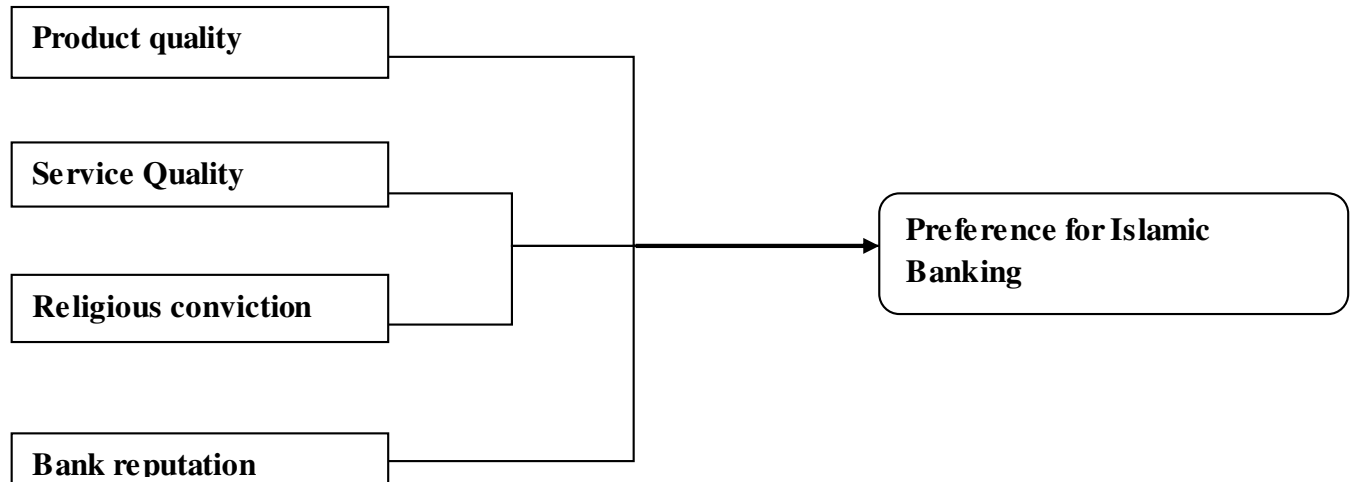
3.10.3 Religious conviction:

This variable is important to test because this is the variable that differentiates the two systems. Since conventional banking has been around for a much longer time than Islamic banks; it would be difficult for Islamic banks to make a space for themselves with this rather ambiguous differentiating factor. Many customers would be comparing the two systems and going with system that is based on religion would be difficult for those customers who are not the follower of that religion, which forms the cornerstone of this system. Also this variable includes the quality of the shariah advisory council. In an Islamic banking system the role played by this council is very prominent in providing the assurance to the consumers of this banking system that the bank they are working with follows Islamic principles.

3.10.4 Bank reputation:

It takes time for a bank to establish its credibility in the market. Depositors want to be absolutely assured of the safety of their deposits. And since conventional banks are older than Islamic bank with a solid reputation to back them this makes a stiffer challenge for Islamic banks to overcome.

As, this task entails, creating a reputation for oneself and that to from scratch. A process that requires time before it can reap its desired fruit.



4.0 Research Analysis

The analysis of the primary data has been done through frequency charts and cross tabulations. The results achieved have been used to infer their relationship with the hypothesis of the study and whether these draw results are sufficient to make such inferences.

The primary data as stated earlier has been drawn through the circulation of a questionnaire. The questionnaire was circulated amongst different Islamic banks, excluding conventional banks that have an Islamic banking division.

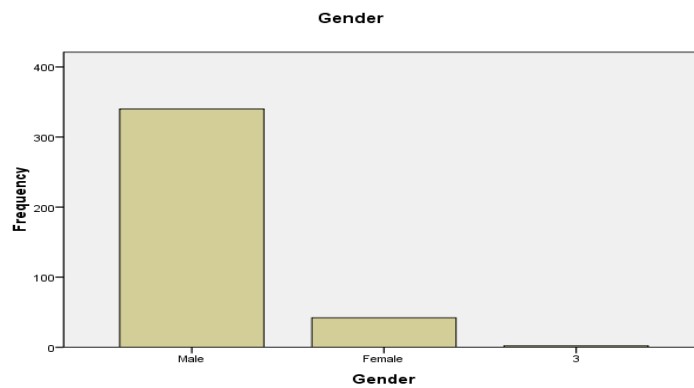
After the analysis of this data it should be clear that which factor influence the most in creating the preference for Islamic banking and where actual discrepancies lies in the system as a whole.

4.1 Demographic Analysis

Table 4.1.1 Demographic Analysis according to Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	340	88.5	88.5	88.5
	Female	44	11.5	11.5	100
	Total	384	100.0	100.0	

Figure 4.1.1 Demographic Analysis according to Gender



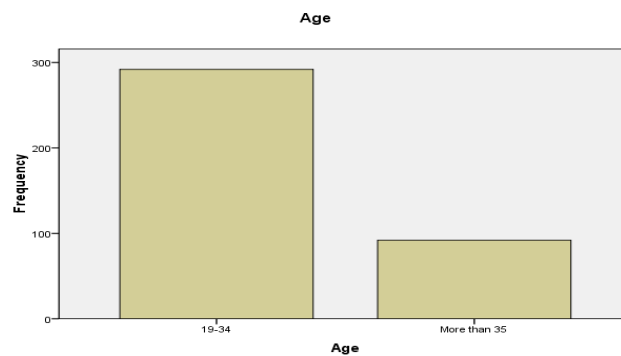
4.1.1 Interpretation

88.5% population of the sample was male, whereas 11.5% population was female. The response of these respondents was taken in a bank or their place of work.

Table 4.1.2 Demographic Analysis according to Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	19-34	292	76.0	76.0	76.0
	More than 35	92	24.0	24.0	100.0
	Total	384	100.0	100.0	

Figure 4.1.2 Demographic Analysis according to Age



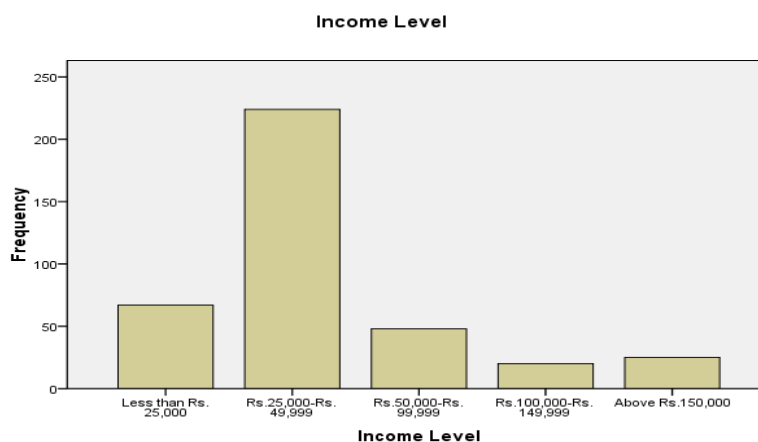
4.1.2 Interpretation

Although age limit of less than 18 was present in the questionnaire but unfortunately no respondent in this age bracket was encountered. Thus, the result shows that 76% of the respondents were in the age bracket of 19-34, while 24% were in the age bracket of above 35.

Table 4.1.3 Demographic Analysis according to Income Level

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than Rs.25,000	67	17.4	17.4	17.4
	Rs.25,000-Rs.49,999	224	58.3	58.3	75.8
	Rs.50,000-Rs.99,999	48	12.5	12.5	88.3
	Rs.100,000-Rs.149,999	20	5.2	5.2	93.5
	Above Rs.150,000	25	6.5	6.5	100.0
	Total	384	100.0	100.0	

Figure 4.1.3 Demographic Analysis according to Income Level



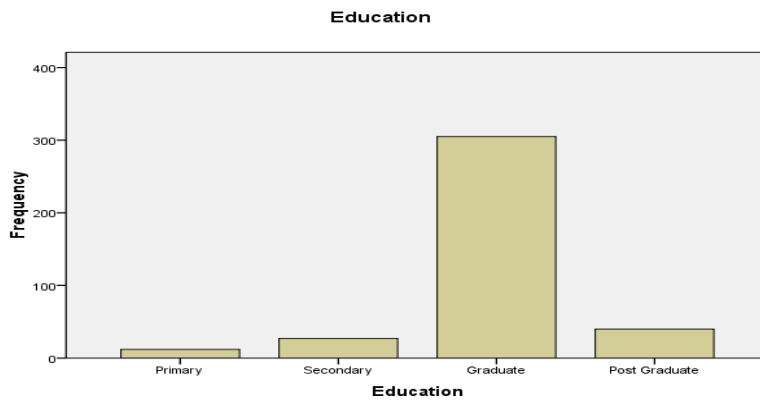
Interpretation 4.1.3

58.3% of the respondents fell into the Income bracket of Rs. 25, 000 – Rs. 49, 999. Other 17.4% fell in to the Income bracket of less than Rs. 25, 000. Moreover, 5.2% and 6.5% of the respondents fell into the Income bracket of Rs. 100, 000 –Rs. 149, 999 and above Rs. 150, 000.

Table 4.1.4 Demographic Analysis according to Education

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Primary	12	3.1	3.1	3.1
Secondary	27	7.0	7.0	10.2
Graduate	305	79.4	79.4	89.6
Post Graduate	40	10.4	10.4	100.0
Total	384	100.0	100.0	

Figure 4.1.4 Demographic Analysis according to Education



Interpretation 4.1.4

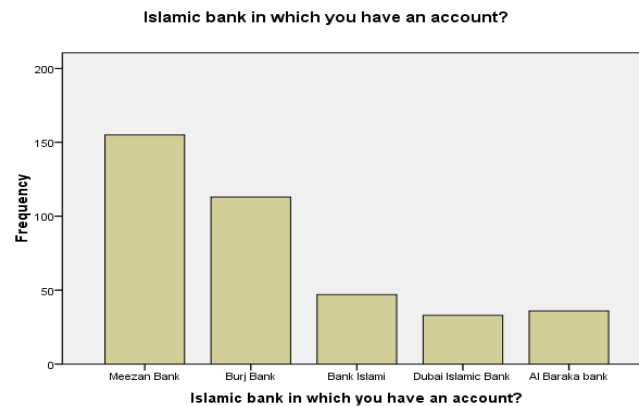
79.4% respondents of the survey were graduates and 10.4% were post graduates. As far as respondents who had acquired primary and secondary level education, they were 3.1% and 7.0%.

4.2 Frequency Analysis

Table 4.2.1 Islamic bank in which you have an account?

	Frequency	Percent	Valid Percent	Cumulative Percent
Meezan Bank	155	40.4	40.4	40.4
Burj Bank	113	29.4	29.4	69.8
Bank Islami	47	12.2	8.6	82.0
Dubai Islamic bank	33	8.6	8.6	90.6
Al Baraka bank	36	9.4	9.4	100.0
Total	384	100.0	100.0	

Figure 4.2.1 Islamic bank in which you have an account?



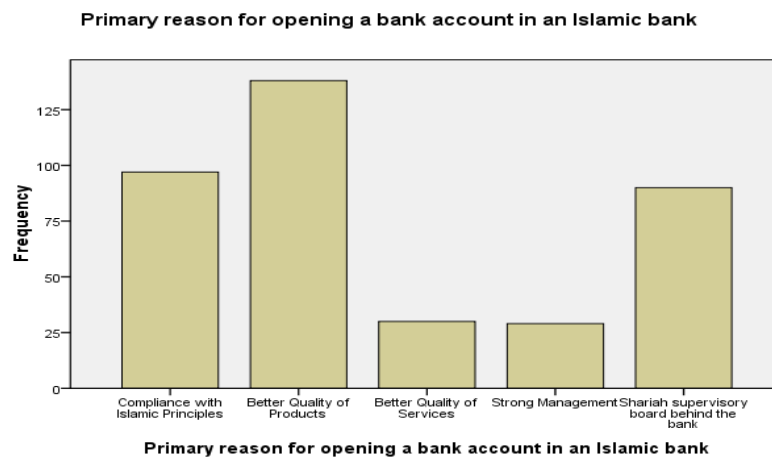
Interpretation 4.2.1

40.4% of the respondents had an account in Meezan Bank. 12.2% had an account in Bank Islami. Dubai Islamic bank had accounts of 8.6% respondents. Al Baraka Bank had the lowest percentage of 9.4%. The second highest percentage (29.4%) went to Burj Bank.

Table 4.2.2 Primary reason for opening a bank account in an Islamic bank

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Compliance with Islamic Principles	97	25.3	25.3	25.3
	Better Quality of Products	138	35.9	35.9	61.2
	Better Quality of Services	30	7.8	7.8	69.0
	Strong Management	29	7.6	7.6	76.6
	Shariah supervisory board behind the bank	90	23.4	23.4	100.0
	Total	384	100.0	100.0	

Figure 4.2.2 Primary reason for opening a bank account in an Islamic?



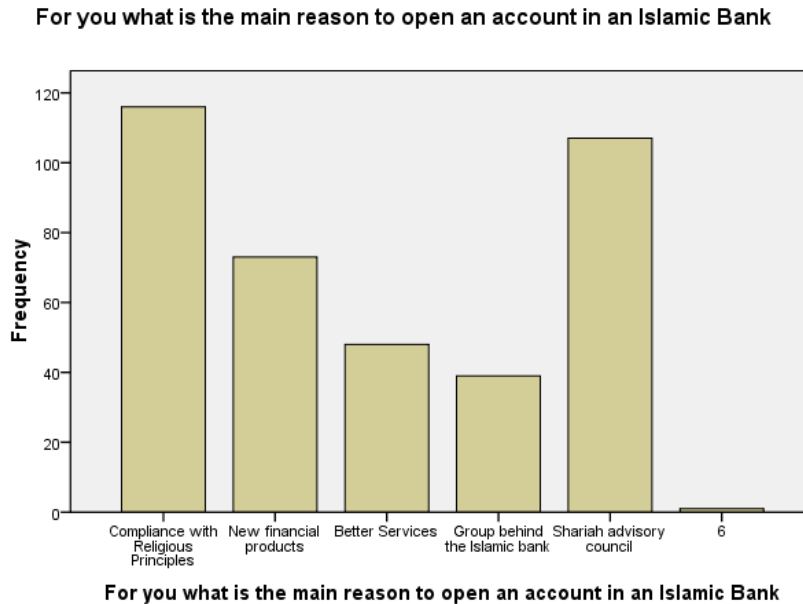
Interpretation 4.2.2

25.3% of the respondents think that when others open an account in an Islamic bank they do it for an Islamic purpose but 35.9% thinks that Islamic banking has got products that attract people towards it. Another 23.4% thinks that the inclination to open an Islamic bank account is due to the Shariah supervisory board. A small percentage of 7.6% and 7.8% think that strong management and better services than other banks contribute to the opening of a bank account.

Table 4.2.3 For you what is the main reason to open an account in an Islamic Bank

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Compliance with Religious Principles	116	30.2	30.2	30.2
New financial products	73	19.0	19.0	49.2
Better Services	48	12.5	12.5	61.7
Group behind the Islamic bank	39	10.2	10.2	71.9
Shariah advisory council	108	28.1	28.1	100.0
Total	384	100.0	100.0	

Figure 4.2.3 For you what is the main reason to open an account in an Islamic bank?



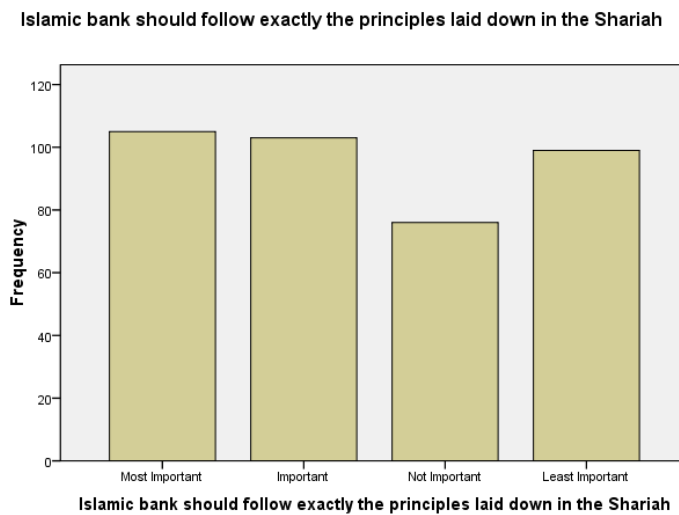
Interpretation 4.2.3

This question asked about the personal reason of the respondent to open an account in an Islamic bank. Well the most popular reason was the urge to comply with religious principle, which was present in 30.2% of the respondents. The next highest percentage received was by “Shariah advisory council”, which is 28.1%. Again the reason is Islamic but the percentage received by the option “new financial products” is also encouraging and this shows that Islamic banking is providing an alternative form of banking which consumers are attracted towards.

Table 4.2.4 Islamic bank should follow exactly the principles laid down in the Shariah

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Most Important	105	27.3	27.4	27.4
	Important	103	26.8	26.9	54.3
	Not Important	76	19.8	19.8	74.2
	Least Important	99	25.8	25.8	100.0
	Total	383	99.7	100.0	
Missing	System	1	.3		
Total		384	100.0		

Figure 4.2.4 Islamic banks should follow exactly the principles laid down in shariah



Interpretation 4.2.4

Well a mix response is scene as 27.3% and 26.8% of the respondents marked it as an important factor for an Islamic bank. But 19.8% and 25.8% marked it as of having low important. These facts are consistent with one of the finds of this research base document. In which consumers are hesitant to forego the interest they receive in conventional banks. The result supports the null hypothesis but not in a sweeping manner.

Table 4.2.5 Islamic bank should have a reputable Shariah advisory council governing its operations

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Most Important	72	18.8	18.8	18.8
Important	114	29.7	29.7	48.4
Not Important	114	29.7	29.7	78.1
Least Important	84	21.9	21.9	100.0
Total	384	100.0	100.0	

Figure 4.2.5 Islamic bank should have a reputable Shariah advisory council

Islamic bank should have a reputable Shariah advisory council governing its operations

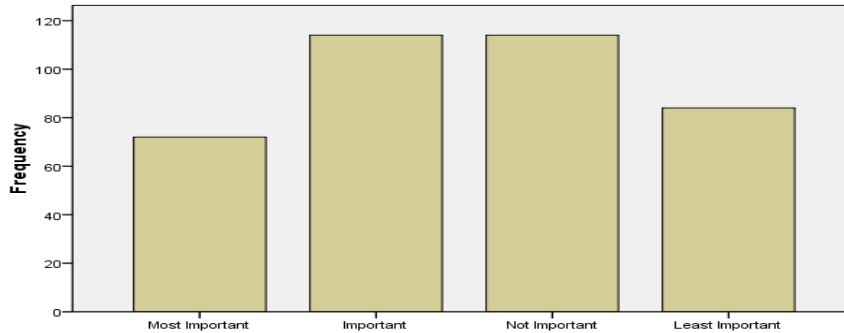


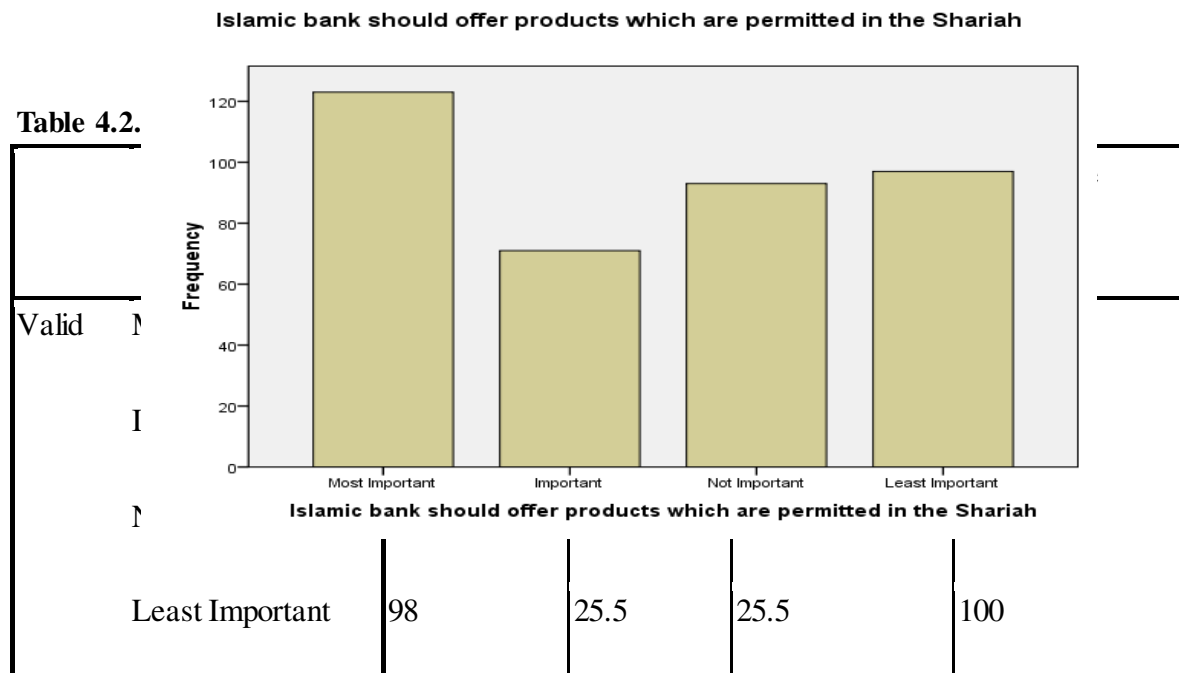
Table 4.2.

		Islamic bank should have a reputable Shariah advisory council governing its operations			
		Most Important	Important	Not Important	Least Important
Valid	Most Important	123	32.0	32.0	32.0
	Important	71	18.5	18.5	50.5
	Not Important	93	24.2	24.2	74.7
	Least Important	97	25.3	25.3	100.0
	Total	384	100.0	100.0	

Interpretation 4.2.5

The result of this question suggests that this variable is not that important for consumers to make their choice in on an account in a specific Islamic bank. Thus, we can reject our fifth alternative hypothesis which is regarding the importance of shariah supervisory board with regards to consumers banking choice.

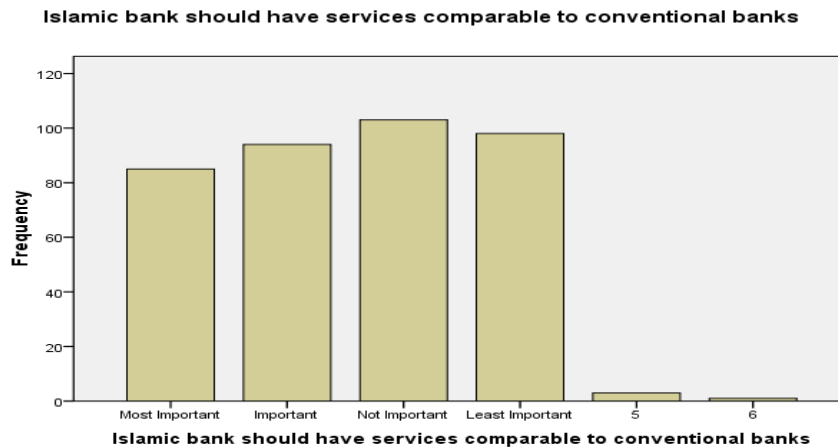
Figure 4.2.6 Islamic banks should offer products which are permitted in the Shariah



Interpretation 4.2.6

This is a trick question which test product quality relative to religious preference. And therefore, it actually tests religious preference. This question successfully tests this and tells us that 50.5% consumers wants the Islamic banking products to follow religious teachings when forming their products and thus the results show that adherence to religious principles makes consumers to turn towards an Islamic bank and more the bank adhere to these convictions the more successful the bank is.

Figure 4.2.7 Islamic bank should have services comparable to conventional banks



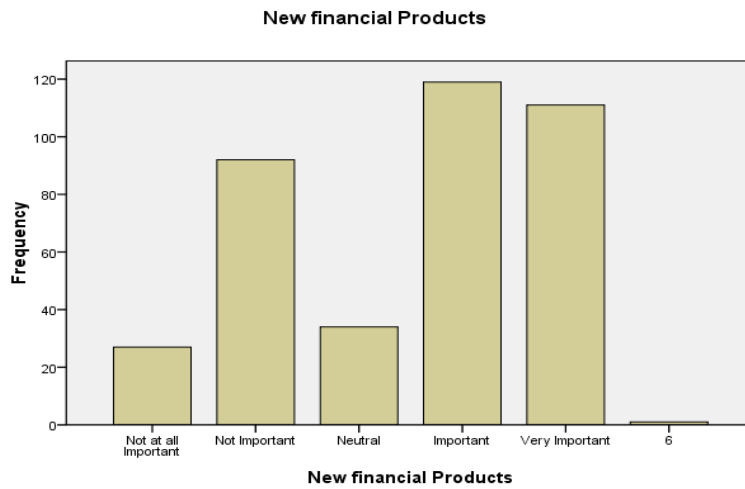
Interpretation 4.2.7

This question tests the first alternative hypothesis and the results indicate that this hypothesis is negated. As 103/26.8% and 98/ 25.5% of the consumers indicate that this is not an important variable in their consideration of Islamic bank. But the results are not sweeping as 23.2% and 24.5% of the consumers consider this as a valid variable which plays a vital role in choosing an Islamic bank.

Table 4.2.8 New Financial Products

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all Important	27	7.0	7.0	7.0
	Not Important	92	24.0	24.0	31.0
	Neutral	34	8.9	8.9	39.8
	Important	119	31.0	31.0	70.8
	Very Important	112	29.2	29.2	100
	Total	384	100.0	100.0	

Figure 4.2.8 New Financial products



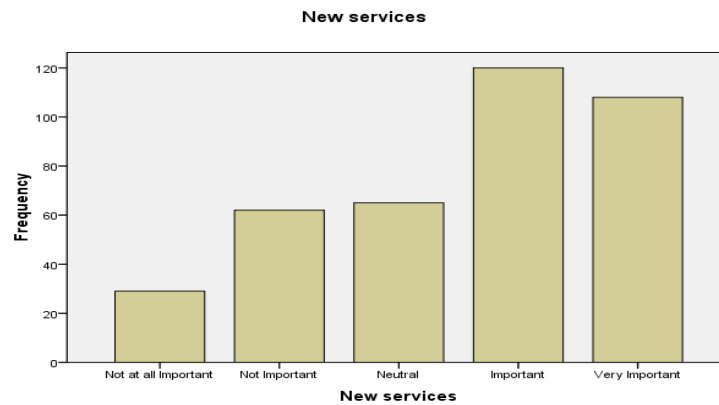
Interpretation 4.2.8

The response to this question indicates that Islamic banks that come up with Innovate financial products are more successful than those Islamic banks who fail to do that. 31.0% and 29.2% consumer think that this is a very important factor in deciding an Islamic bank.

Table 4.2.9 New services

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all Important	29	7.6	7.6	7.6
	Not Important	62	16.1	16.1	23.7
	Neutral	65	16.9	16.9	40.6
	Important	120	31.2	31.2	71.9
	Very Important	108	28.1	28.1	100.0
	Total	384	100.0	100.0	

Figure 4.2.9 New services



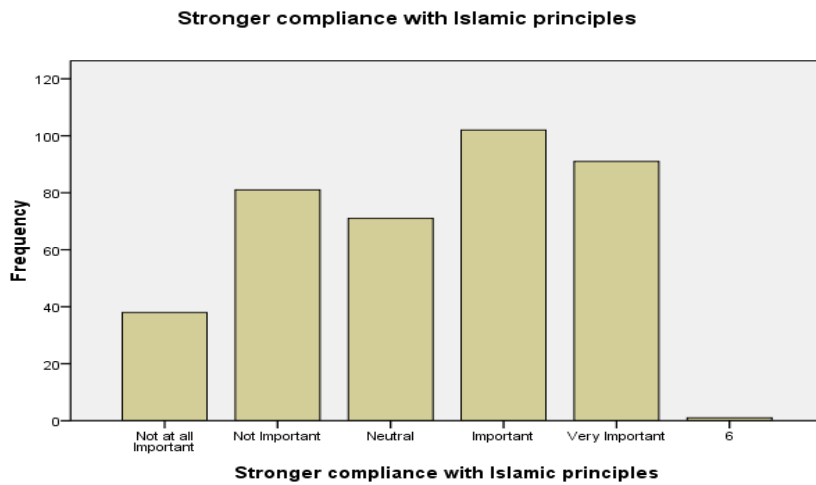
Interpretation 4.2.9

31.2% and 28.1% respondents believe that innovative services can generate a competitive advantage for an Islamic bank.

Table 4.2.9 Stronger compliance with Islamic principles

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all Important	38	9.9	9.9	9.9
	Not Important	81	21.1	21.1	31.0
	Neutral	71	18.5	18.5	49.5
	Important	102	26.6	26.6	76.0
	Very Important	92	24	24	100
	Total	384	100.0	100.0	

Figure 4.2.9 Stronger compliance with Islamic principles



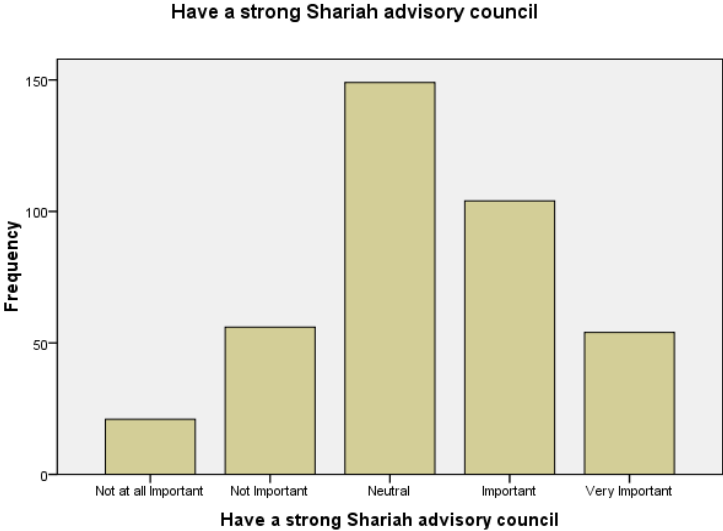
Interpretation 4.2.9

Again the response of this question indicates that if an Islamic bank can adhere to Islamic principles strongly than this would generate a competitive advantage for a bank and a greater acceptance of the bank.

Table 4.2.10 Have a strong Shariah advisory council

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all Important	21	5.5	5.5	5.5
	Not Important	56	14.6	14.6	20.1
	Neutral	149	38.8	38.8	58.9
	Important	104	27.1	27.1	85.9
	Very Important	54	14.1	14.1	100.0
	Total	384	100.0	100.0	

Figure 4.2.10 Have a strong Shariah advisory council



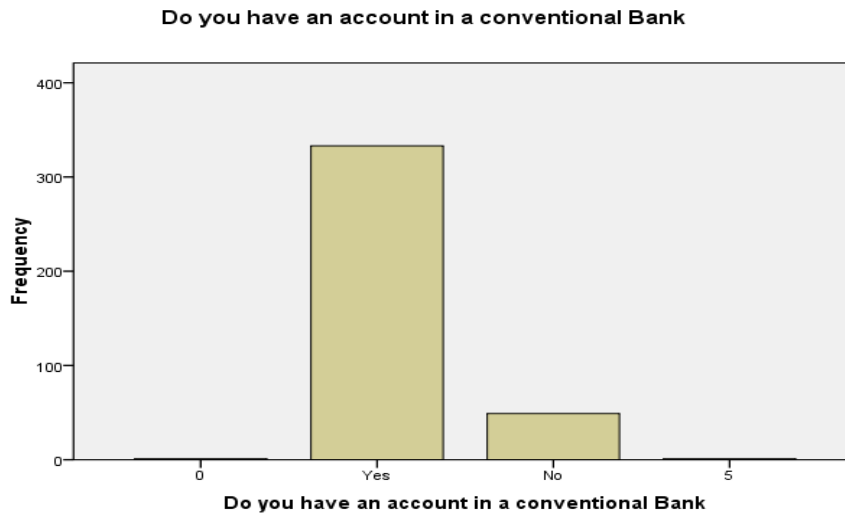
Interpretation 4.2.10

27.1% of the respondents have marked this dimension of this question as important, while 38.8% of the respondents have marked it as a neutral option.

Table 4.2.11 Do you have an account in a conventional Bank

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	335	87.2	87.2	87.2
No	49	12.8	12.8	100
Total	384	100.0	100.0	

Figure 4.2.11 Do you have an account in a conventional bank



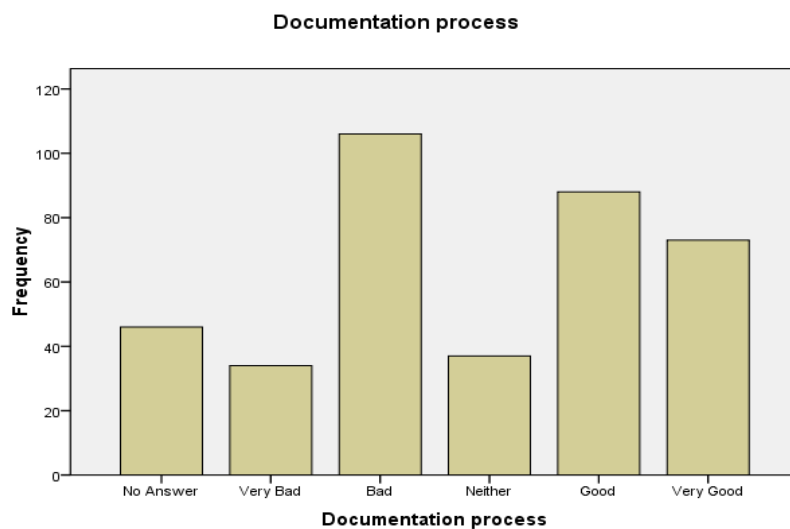
Interpretation 4.2.11

87.2% of the respondents had an additional account with a conventional bank whereas 12.8% of the respondents only had an account in an Islamic bank.

Table 4.2.12 Documentation process in a conventional bank

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Answer	46	12.0	12.0	12.0
	Very Bad	34	8.9	8.9	20.8
	Bad	106	27.6	27.6	48.4
	Neither	37	9.6	9.6	58.1
	Good	88	22.9	22.9	81.0
	Very Good	73	19.0	19.0	100.0
	Total	384	100.0	100.0	

Figure 4.2.12 Documentation process in a conventional bank

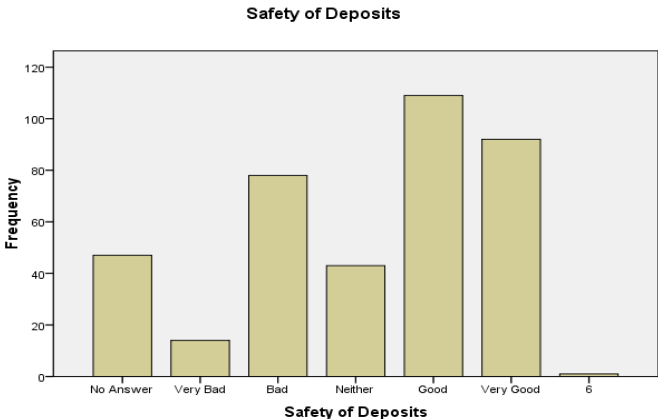


Interpretation 4.2.12

According to majority of the respondents (88/73) the documentation process of conventional banks is reasonably good, whereas, (34/106) respondent did not find this process of any kind of ease. 12% of the respondents left this question unanswered.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid No Answer	47	12.2	12.2	12.2
Very Bad	14	3.6	3.6	15.9
Bad	78	20.3	20.3	36.2
Neither	43	11.2	11.2	47.4
Good	109	28.4	28.4	75.8
Very Good	93	24.3	24.3	100
Total	384	100.0	100.0	

Figure 4.2.13 Safety of Deposits in a conventional bank



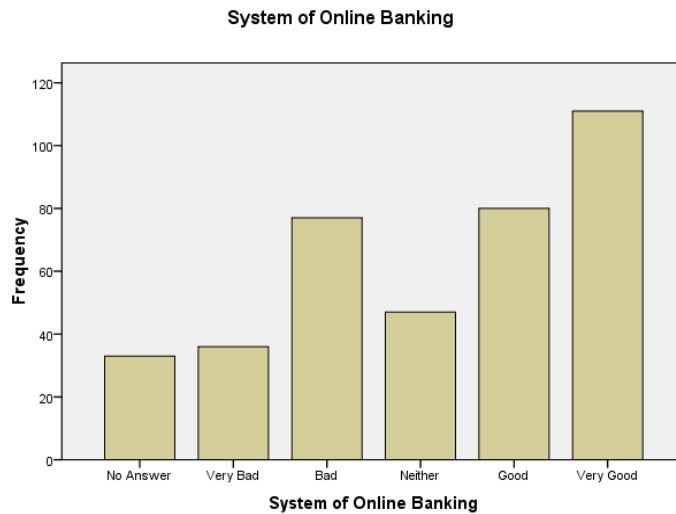
Interpretation 4.2.13

A large number (109/93) of respondents, found a sense of safety with regards to their deposits, in a conventional bank. 23.9% of the respondents did not find their deposits to be safe in a conventional bank account. Again 47 respondents did not answer this question.

Table 4.2.14 System of Online Banking in a conventional bank

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid No Answer	33	8.6	8.6	8.6
Very Bad	36	9.4	9.4	18.0
Bad	77	20.1	20.1	38.0
Neither	47	12.2	12.2	50.3
Good	80	20.8	20.8	71.1
Very Good	111	28.9	28.9	100.0
Total	384	100.0	100.0	

Figure 4.2.14 System of Online banking in a conventional bank



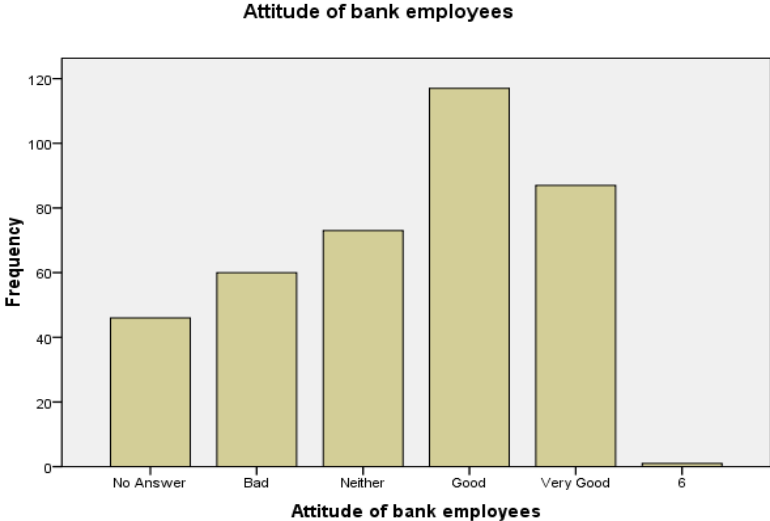
Interpretation 4.2.14

28.9% of the respondents find the system of online banking in a conventional bank as facilitating, and thus have marked it as “very good”. 36 or 9.4% of the respondents did not find this system as attractive as their counterparts and thus have marked it as “Very bad”.

Table 4.2.15 Attitude of bank employees in a conventional bank

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Answer	46	12.0	12.0	12.0
	Bad	60	15.6	15.6	27.6
	Neither	73	19.0	19.0	46.6
	Good	117	30.5	30.5	77.1
	Very Good	88	22.9	22.9	100.0
	Total	384	100.0	100.0	

Figure 4.2.15 Attitude of bank employees in a conventional bank



Interpretation

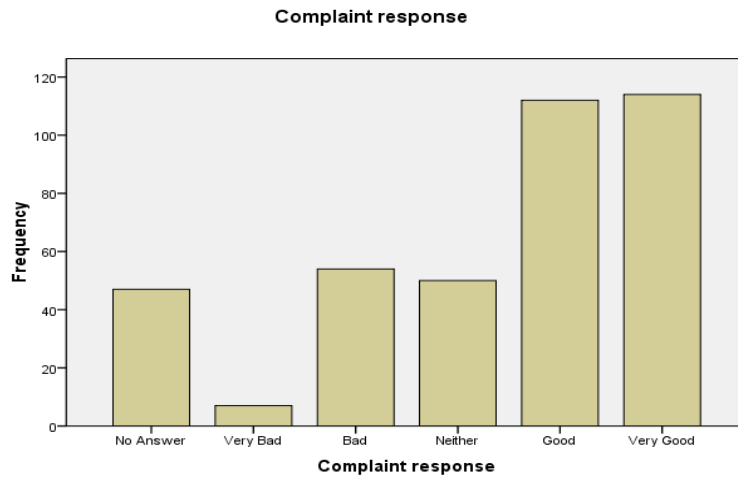
4.2.15

30.5% of the respondents find the attitude of the employees as “good”. The second largest support (22.9%) also went to a positive option “very good”.

Table 4.2.16 Complaint response in an Islamic bank

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Answer	47	12.2	12.2	12.2
	Very Bad	7	1.8	1.8	14.1
	Bad	54	14.1	14.1	28.1
	Neither	50	13.0	13.0	41.1
	Good	112	29.2	29.2	70.3
	Very Good	114	29.7	29.7	100.0
	Total	384	100.0	100.0	

Figure 4.2.16 Complaint response in an Islamic bank



Interpretation 4.2.16

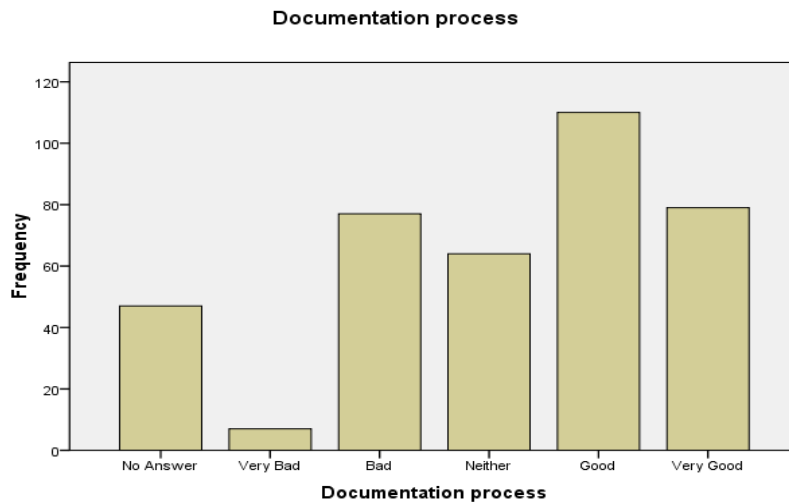
A sweeping majority vote (29.7% and 29.2%) went to “very good” and “good”, reflecting the fact the complaint response system of conventional banks is very efficient.

4.2.17 Documentation process in an Islamic bank

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Answer	47	12.2	12.2	12.2
	Very Bad	7	1.8	1.8	14.1
	Bad	77	20.1	20.1	34.1
	Neither	64	16.7	16.7	50.8
	Good	110	28.6	28.6	79.4
	Very Good	79	20.6	20.6	100.0

Total	384	100.0	100.0	
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Figure 4.2.17 Documentation process in an Islamic bank



Interpretation 4.2.17

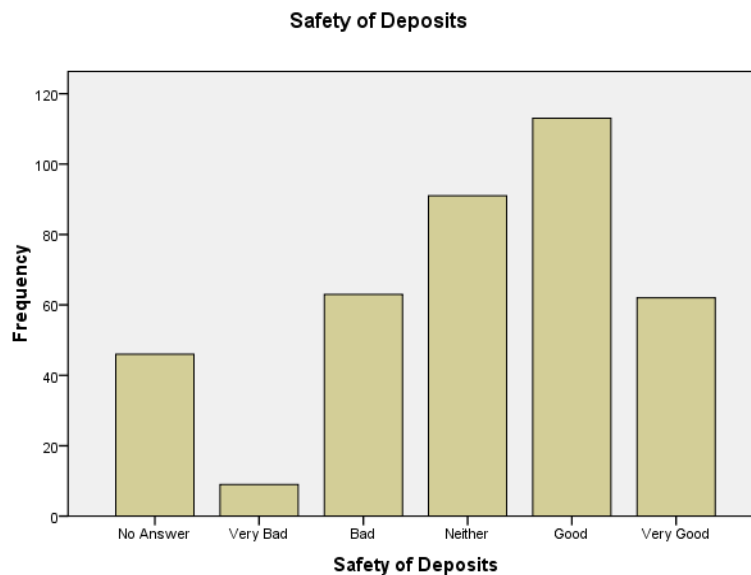
The result is opposite to what was received for conventional bank. The documentation process as illustrated by the figures of 28.6% and 20.6% shows that the documentation process of Islamic banks is much more efficient than conventional banks. thus Islamic banks lead convention banks in this dimension of service.

4.2.18 Safety of Deposits in an Islamic bank

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Answer	46	12.0	12.0	12.0
	Very Bad	9	2.3	2.3	14.3
	Bad	63	16.4	16.4	30.7
	Neither	91	23.7	23.7	54.4
	Good	113	29.4	29.4	83.9
	Very Good	62	16.1	16.1	100.0
	Total	384	100.0	100.0	

Figure 4.2.18
Safety of Deposits

in an Islamic bank



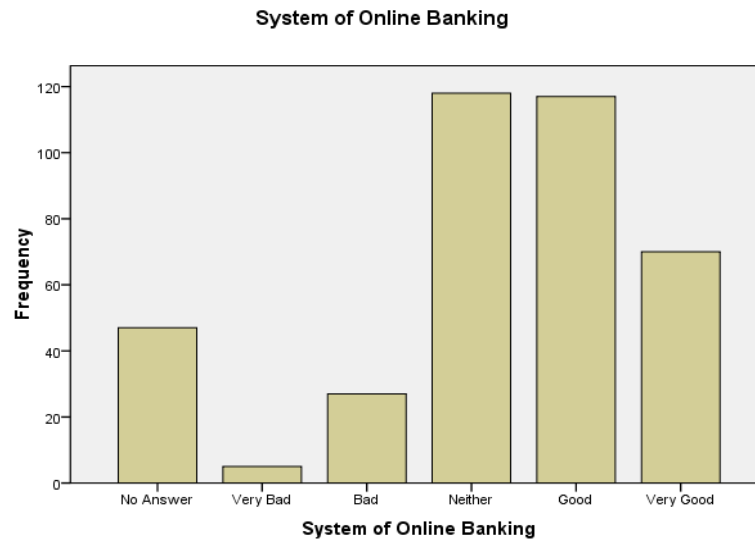
Interpretation 4.2.18

This response again is a winner for Islamic bank as majority of the respondents felt their deposits to be safer in an Islamic bank. Although, this dimension of service does not defeat conventional banks but it is at a similar comparability level.

Table 4.2.19 System of Online Banking in an Islamic bank

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Answer	47	12.2	12.2	12.2
	Very Bad	117	30.5	30.5	42.7
	Bad	70	18.2	18.2	60.9
	Neither	118	30.7	30.7	91.6
	Good	27	7.1	7.1	98.7
	Very Good	5	1.3	1.3	100.0
	Total	384	100.0	100.0	

Figure 4.2.19 System of Online banking in an Islamic bank



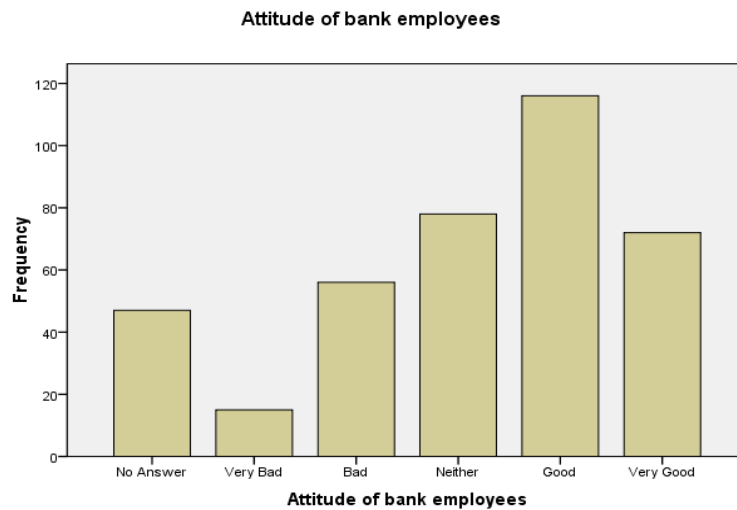
Interpretation 4.2.19

A totally opposite result for this dimension of service in an Islamic bank. A huge number of respondents (30.5% and 18.2%) voted this dimension of service in an Islamic bank as an Achilles heel. The above result shows the immaturity of the sector. This dimension received high votes of approval in a conventional bank.

Table 4.2.20 Attitude of bank employees in an Islamic bank

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Answer	47	12.2	12.2	12.2
	Very Bad	15	3.9	3.9	16.1
	Bad	56	14.6	14.6	30.7
	Neither	78	20.3	20.3	51.0
	Good	116	30.2	30.2	81.2
	Very Good	72	18.8	18.8	100.0
	Total	384	100.0	100.0	

Figure 4.2.20 Attitude of bank Employees



Interpretation 4.2.20

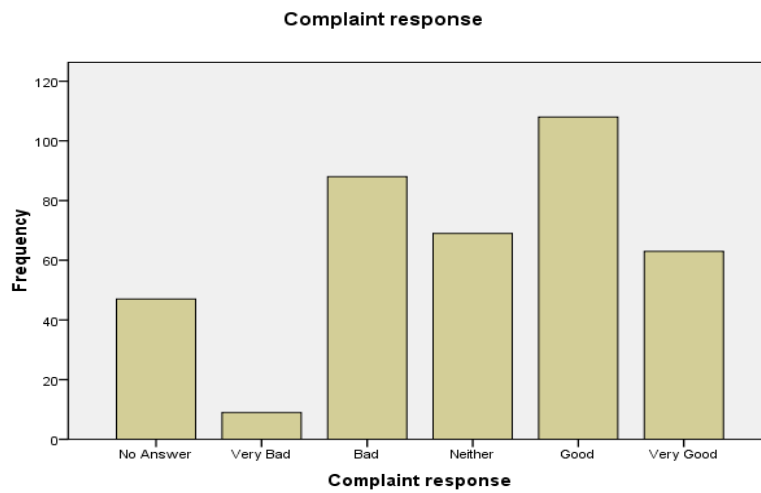
30.2% and 18.8% of the respondents have responded positively towards the attitude of the employees of an Islamic bank. This dimension does not come out to be a clear winner for Islamic banks as conventional banks also perform

equally well on this dimension.

Table 4.2.21 Complaint response in an Islamic bank

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid No Answer	47	12.2	12.2	12.2
Very Bad	9	2.3	2.3	14.6
Bad	88	22.9	22.9	37.5
Neither	69	18.0	18.0	55.5
Good	108	28.1	28.1	83.6
Very Good	63	16.4	16.4	100.0
Total	384	100.0	100.0	

Figure 4.2.21 Compliant response in an Islamic bank



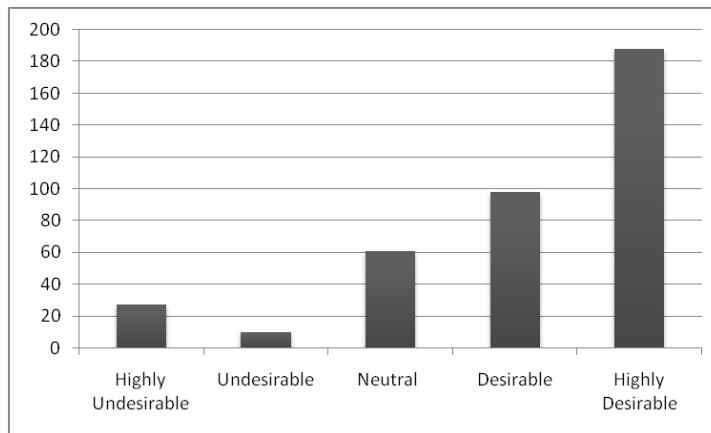
Interpretation 4.2.21

28.1% and 16.4% of the response towards the positive side of the scale for this dimension reflects that Islamic banks are doing well or managing customers' complaints very efficiently. Again conventional banks do very well on this dimension.

Table 4.2.22 Rank your preference for Islamic banking?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Highly undesirable	27	7.0	7.0	7.0
Undesirable	10	2.6	2.6	9.6
Neutral	61	15.9	15.9	25.5
Desirable	98	25.5	25.5	51
Highly desirable	188	49	49	100
Total	384	100.0	100.0	

Figure 4.2.22 Compliant response in an Islamic bank



Interpretation 4.2.22

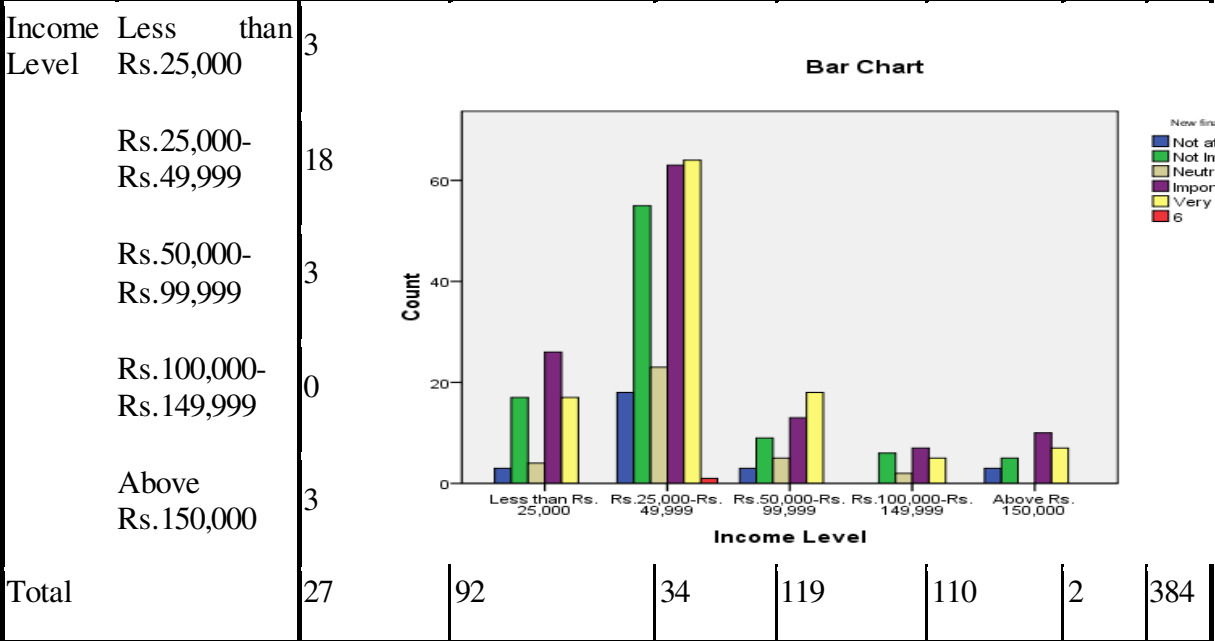
The above result shows that the majority of the respondents prefer Islamic banking. Around 286 of the respondent have land on the positive side of the scale and the remaining 98 have been either indecisive or on the negative end of the scale.

4.3 Cross Tabulation

Table 4.3.1 New Financial Products

Not at all Important	Not Important	Neutral	Important	Very Important	6	Total
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**Figure 4.3.1
New Financial Products**

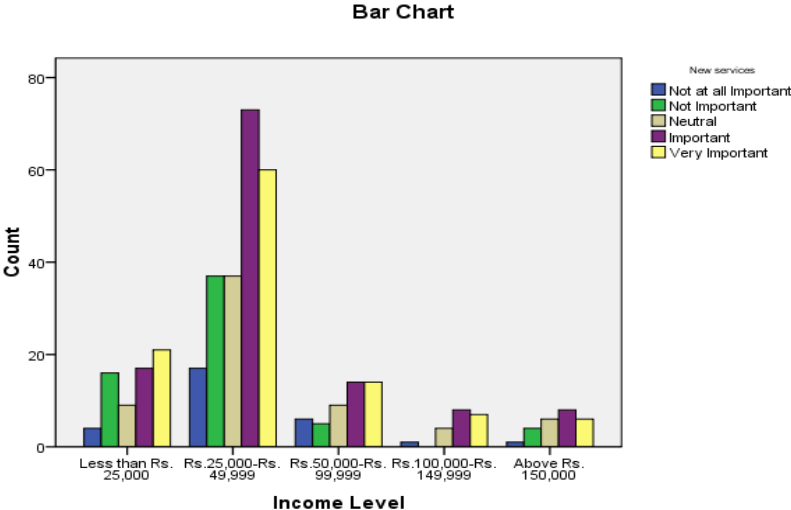


Interpretation 4.3.1

For respondents who fell in the income bracket of Rs. 25,000 to Rs. 49, 999 they require new financial products from the Islamic banking system. They constitute the majority of the respondents (224). Whereas, this cross tab reveals that all the respondents consider this as a vital factor for the success of this mode of banking

		Table 4.3.2 New services					
		Not at all Important	Not Important	Neutral	Important	Very Important	Total
Income Level	Less than Rs.25,000	4	16	9	17	21	67
	Rs.25,000- Rs.49,999	17	37	37	73	60	224
	Rs.50,000- Rs.99,999	6	5	9	14	14	48
	Rs.100,000- Rs.149,999	1	0	4	8	7	20
	Above Rs.150,000	1	4	6	8	6	25
Total		29	62	65	120	108	384

Figure 4.3.2 New services



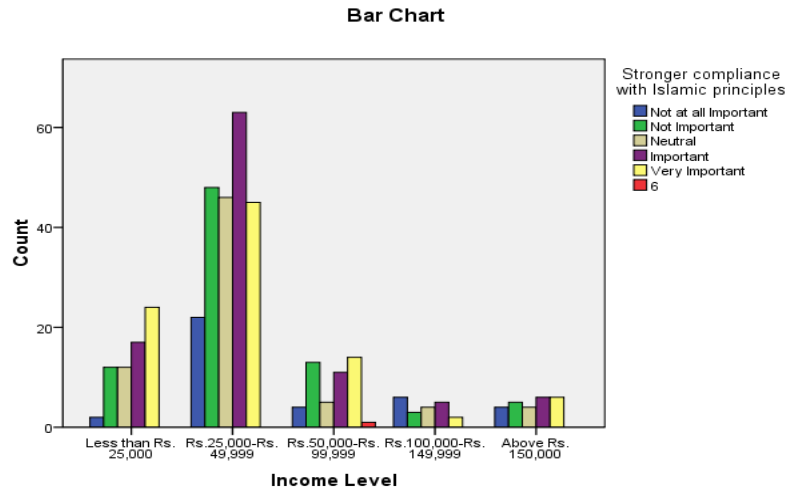
Interpretation 4.3.2

		Table 4.3.3 Stronger compliance with Islamic principles						
		Not at all Important	Not Important	Neutral	Important	Very Important	6	Total
Income Level	Less than Rs.25,000	2	12	12	17	24	0	67
	Rs.25,000- Rs.49,999	22	48	46	63	45	0	224
	Rs.50,000- Rs.99,999	4	13	5	11	14	1	48
	Rs.100,000- Rs.149,999	6	3	4	5	2	0	20
	Above Rs.150,000	4	5	4	6	6	0	25

Total	38	81	71	102	91	1	384
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Again majority of the respondents voted positively for this aspect of successful banking. A total of 228 respondents marked this as an important variable for the success of Islamic banking.

Figure 4.3.3 Stronger compliance with Islamic principles

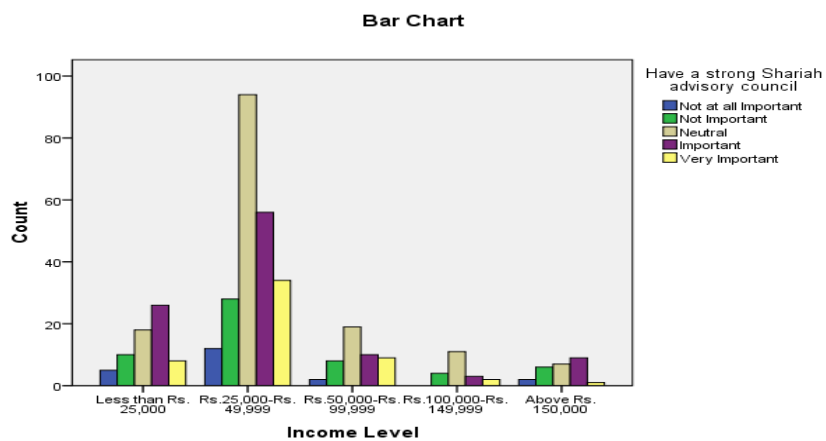


Interpretation 4.3.3

Again a huge majority (193) of the respondent marked this aspect as a very important factor for the success of Islamic bank. Again a substantial percent of respondents consider this aspect to be relaxed. This fact shows that tendency that was mentioned earlier which was the unwillingness to forego interest

		Table 4.3.4 Have a strong Shariah advisory council					
		Not at all Important	Not Important	Neutral	Important	Very Important	Total
Income Level	Less than Rs.25,000	5	10	18	26	8	67
	Rs.25,000-Rs.49,999	12	28	94	56	34	224
	Rs.50,000-Rs.99,999	2	8	19	10	9	48
	Rs.100,000-Rs.149,999	0	4	11	3	2	20
	Above Rs.150,000	2	6	7	9	1	25
Total		21	56	149	104	54	384

Figure 4.3.4 Have a strong shariah advisory council

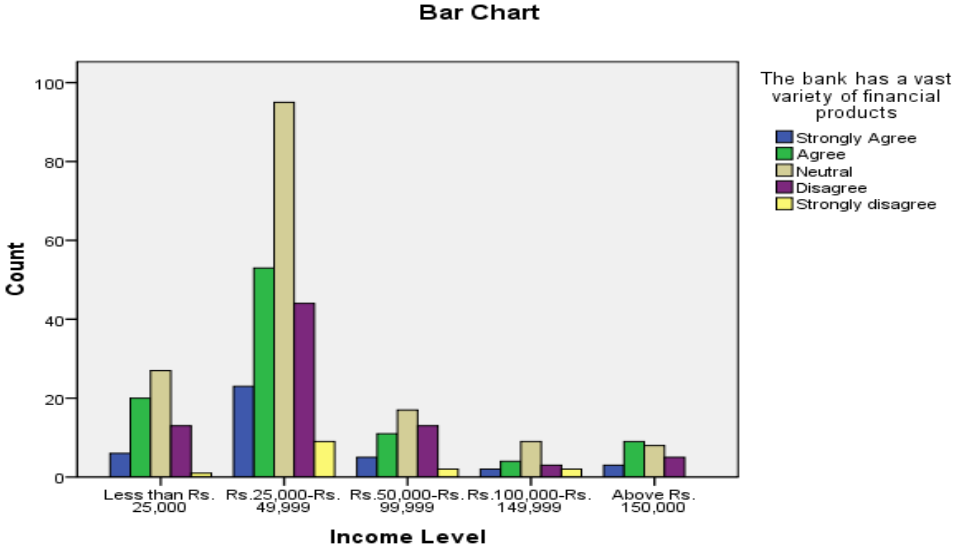


Interpretation 4.3.4

A huge majority voted for the option “neutral”. This not only show indecision but reinforces the fact that respondents do not won’t a completely Islamic mode of banking.

		Table 4.3.5 The bank has a vast variety of financial products					
		Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Total
Income Level	Less than Rs.25,000	6	20	27	13	1	67
	Rs.25,000- Rs.49,999	23	53	95	44	9	224
	Rs.50,000- Rs.99,999	5	11	17	13	2	48
	Rs.100,000- Rs.149,999	2	4	9	3	2	20
	Above Rs.150,000	3	9	8	5	0	25
Total		39	97	156	78	14	384

Figure 4.3.5 The bank has a variety of financial products

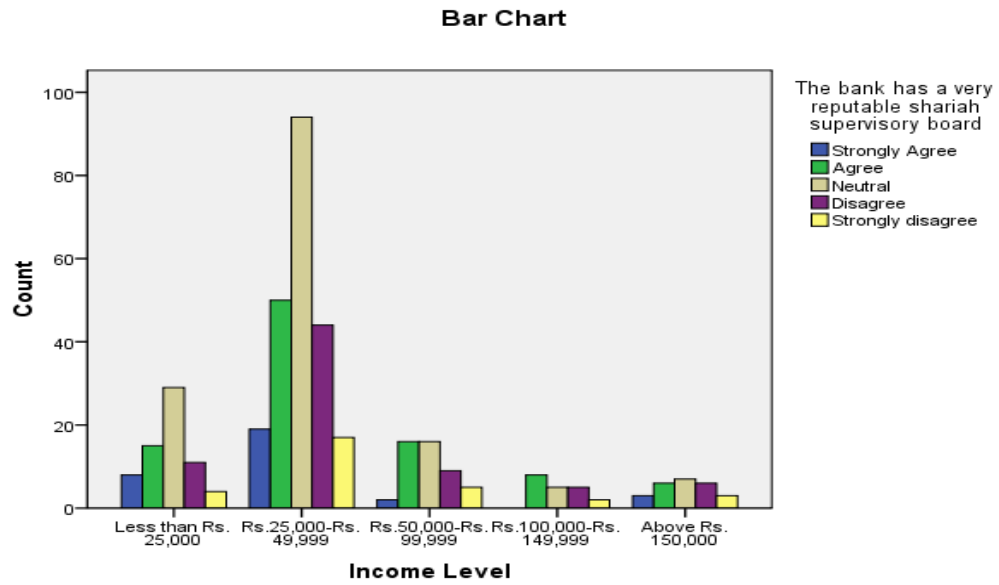


Interpretation 4.3.5

The result of this question is unclear as this shows that consumers neither feel that Islamic banking is providing new financial product nor they are backing away from accepting the fact that Islamic banking is offering an alternative form of banking in which financial products differ in their fundamental respect. This fact is illustrated by the figure (156) of the option “neutral”.

		Table 4.3.6 The bank has a very reputable shariah supervisory board					
		Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Total
Income Level	Less than Rs.25,000	8	15	29	11	4	67
	Rs.25,000- Rs.49,999	19	50	94	44	17	224
	Rs.50,000- Rs.99,999	2	16	16	9	5	48
	Rs.100,000- Rs.149,999	0	8	5	5	2	20
	Above Rs.150,000	3	6	7	6	3	25
Total		32	95	151	75	31	384

Figure 4.3.6 The bank has a very reputable shariah supervisory board

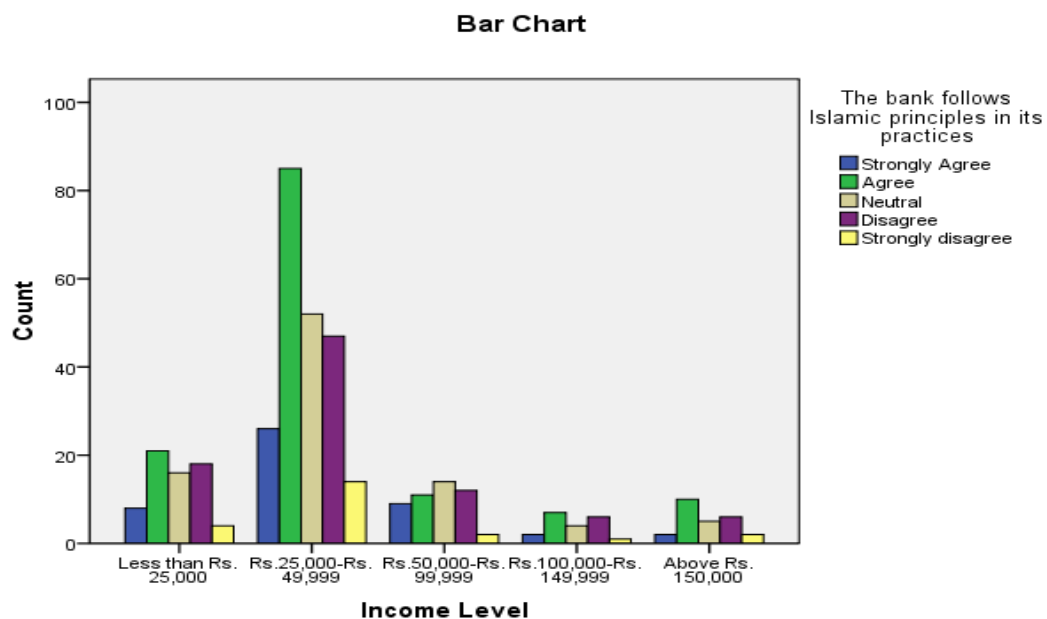


Interpretation 4.3.6

127 respondents think that their Islamic bank has a reputable Shariah supervisory board. The next large sum goes to the option “neutral” that is 151 respondents think. This maybe is because respondent do not consider Shariah supervisory board as a relevant consideration factor.

		Table 4.3.7 The bank follows Islamic principles in its practices					
		Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Total
Income Level	Less than Rs.25,000	8	21	16	18	4	67
	Rs.25,000-Rs.49,999	26	85	52	47	14	224
	Rs.50,000-Rs.99,999	9	11	14	12	2	48
	Rs.100,000-Rs.149,999	2	7	4	6	1	20
	Above Rs.150,000	2	10	5	6	2	25
Total		47	134	91	89	23	384

Figure 4.3.7 The bank follows Islamic principles in its practices

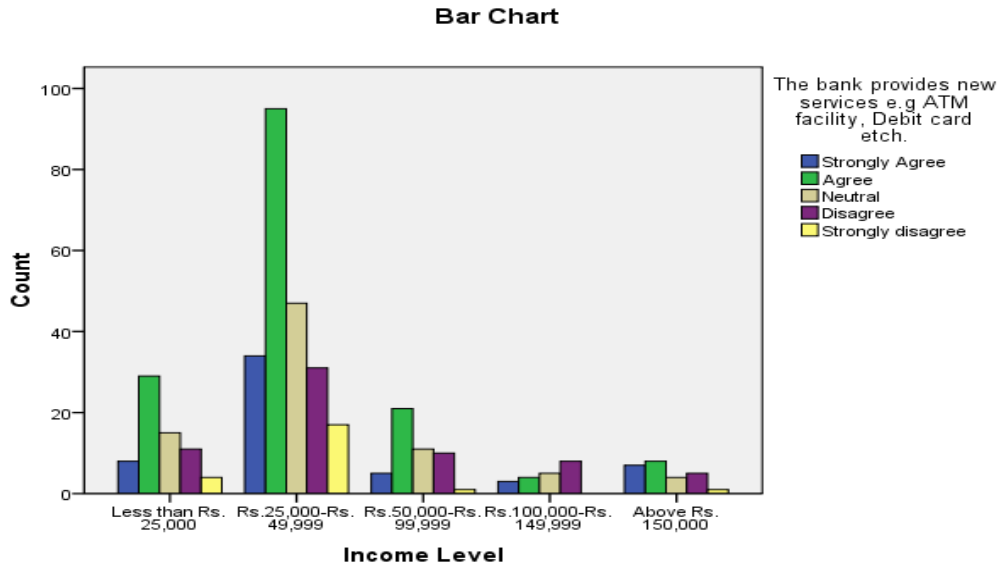


Interpretation 4.3.7

A good sum of respondents 181 to be specific thinks that their Islamic bank follows Islamic principles in its operations.

		Table 4.3.8 The bank provides new services e.g ATM facility, Debit card etc.					
		Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Total
Income Level	Less than Rs.25,000	8	29	15	11	4	67
	Rs.25,000- Rs.49,999	34	95	47	31	17	224
	Rs.50,000- Rs.99,999	5	21	11	10	1	48
	Rs.100,000- Rs.149,999	3	4	5	8	0	20
	Above Rs.150,000	7	8	4	5	1	25
Total		57	157	82	65	23	384

Figure 4.3.8 The bank provides new services

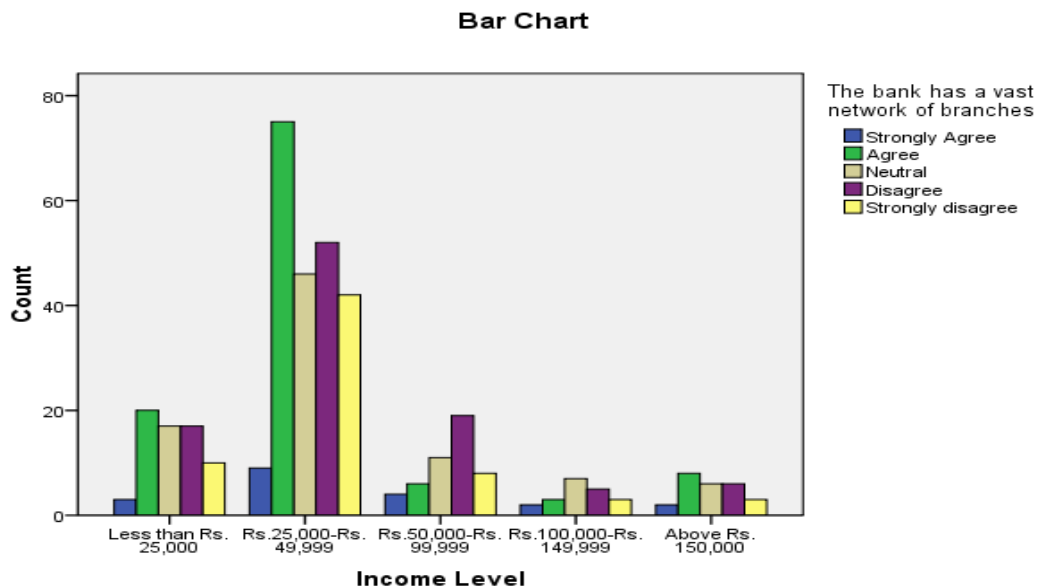


Interpretation 4.3.8

214 respondents say that their Islamic bank does turn up with new services and this response is most prominent in the Income bracket of Rs.25,000-Rs.49,999.

		Table 4.3.9 The bank has a vast network of branches					
		Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Total
Income Level	Less than Rs.25,000	3	20	17	17	10	67
	Rs.25,000-Rs.49,999	9	75	46	52	42	224
	Rs.50,000-Rs.99,999	4	6	11	19	8	48
	Rs.100,000-Rs.149,999	2	3	7	5	3	20
	Above Rs.150,000	2	8	6	6	3	25
Total		20	112	87	99	66	384

Figure 4.3.9 The Bank has a vast network of branches

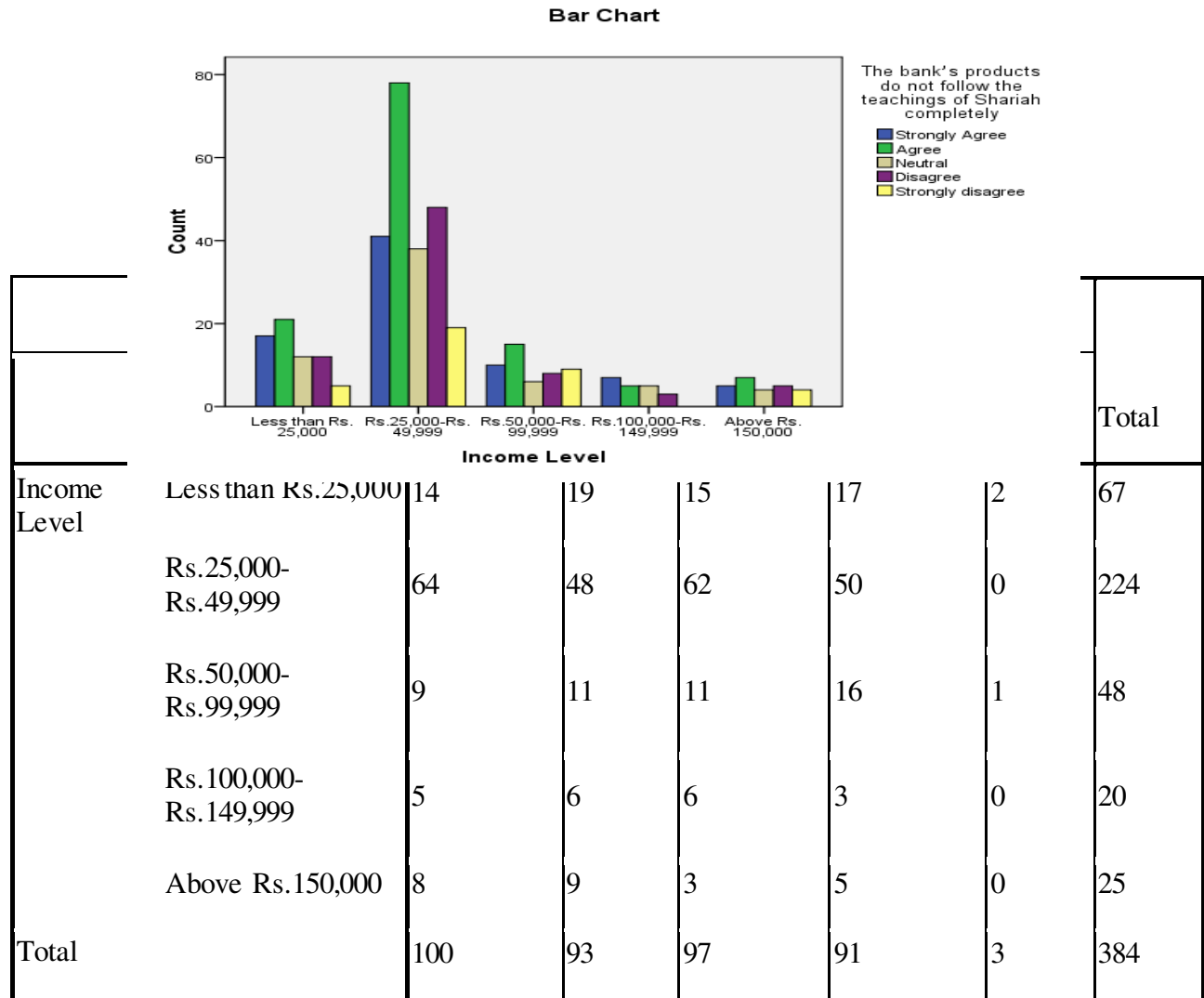


Interpretation 4.3.9

A strong twist towards the negative end of the scale reflects the Islamic banks do not have a substantial number of branches. They are thus required to increase their number of branches. The response of 165 respondents concurs with this requirement.

		Table 4.3.10 The bank's products do not follow the teachings of Shariah completely					
		Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Total
Income Level	Less than Rs.25,000	17	21	12	12	5	67
	Rs.25,000- Rs.49,999	41	78	38	48	19	224
	Rs.50,000- Rs.99,999	10	15	6	8	9	48
	Rs.100,000- Rs.149,999	7	5	5	3	0	20
	Above Rs.150,000	5	7	4	5	4	25
Total		80	126	65	76	37	384

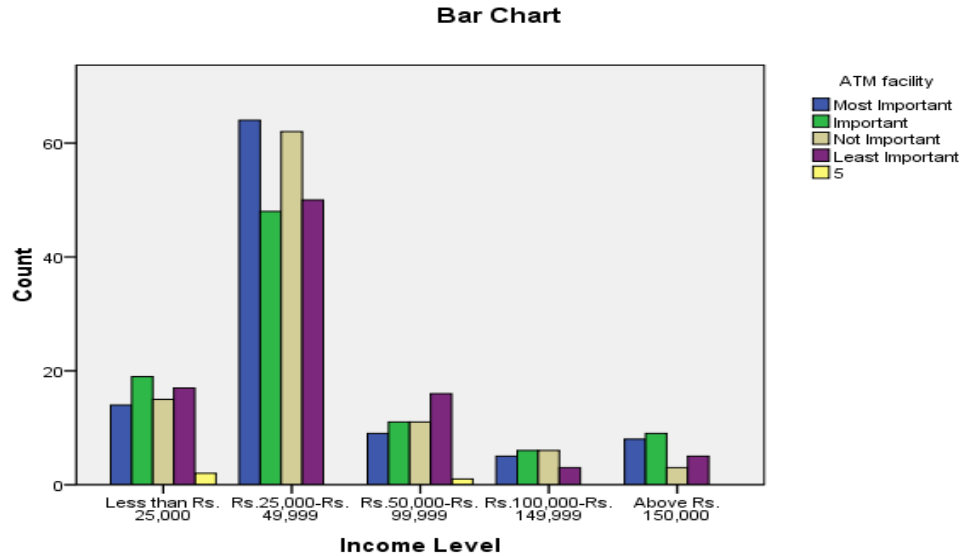
Figure 4.3.10 The bank’s products do not follow the teachings of Shariah completely



Interpretation 4.3.10

The response to this question reflects that consumers are aware and understand the fact that the financial products offered by Islamic banks do not follow the Islamic lines completely, as indicated by the number of 126 and 80. Which collectively reflect the thinking of 206 of the respondents.

Figure 4.3.11 ATM facility

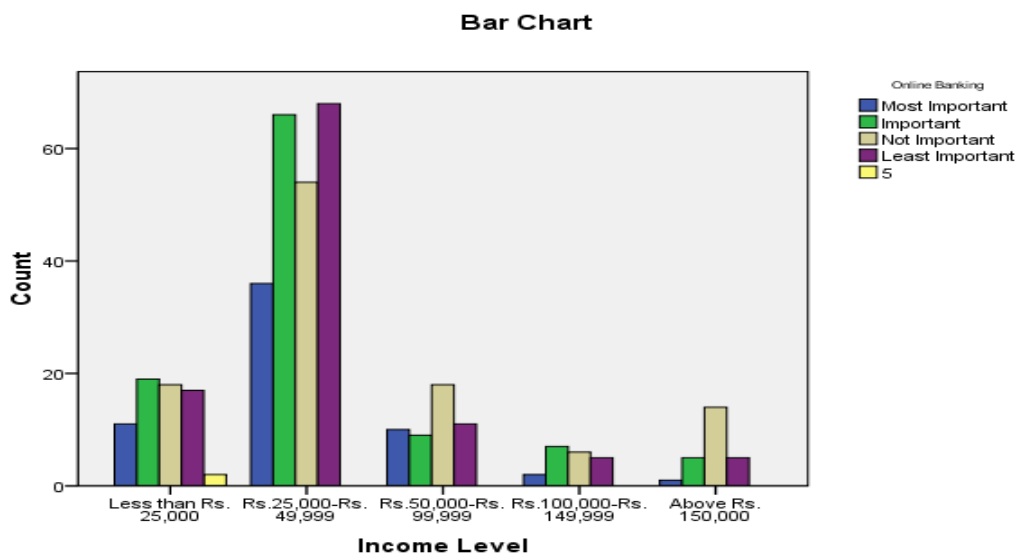


Interpretation 4.3.11

For majority of the respondent ATM facility is very important. This shows the importance of ATM service for a bank. This service, if provided on a substantial scale by an Islamic bank can generate a competitive advantage for it.

		Table 4.3.12 Online Banking					
		Most Important	Important	Not Important	Least Important	5	Total
Income Level	Less than Rs.25,000	11	19	18	17	2	67
	Rs.25,000-Rs.49,999	36	66	54	68	0	224
	Rs.50,000-Rs.99,999	10	9	18	11	0	48
	Rs.100,000-Rs.149,999	2	7	6	5	0	20
	Above Rs.150,000	1	5	14	5	0	25
	Total	60	106	110	106	2	384

Figure 4.3.12 Online Banking

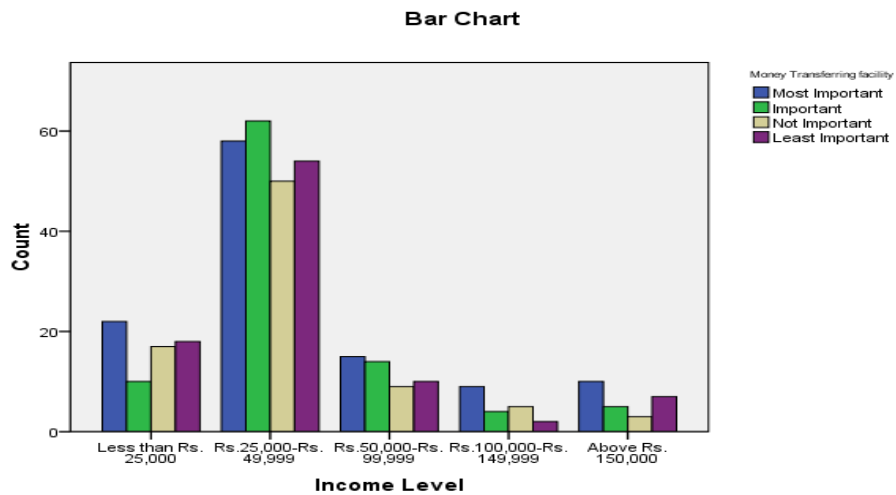


Interpretation 4.3.12

For respondents who fall in the income bracket of Rs.25, 000-Rs.49, 999 Online banking is important. But overall a result contrary to expectation arrives as for majority of the respondents online banking is not is not important.

	Table 4.3.13 Money Transferring facility				Total
	Most Important	Important	Not Important	Least Important	
Income Level Less than Rs.25,000	22	10	17	18	67
Rs.25,000-Rs.49,999	58	62	50	54	224
Rs.50,000-Rs.99,999	15	14	9	10	48
Rs.100,000- Rs.149,999	9	4	5	2	20
Above Rs.150,000	10	5	3	7	25
Total	114	95	84	91	384

Figure 4.3.13 Money Transferring Facility

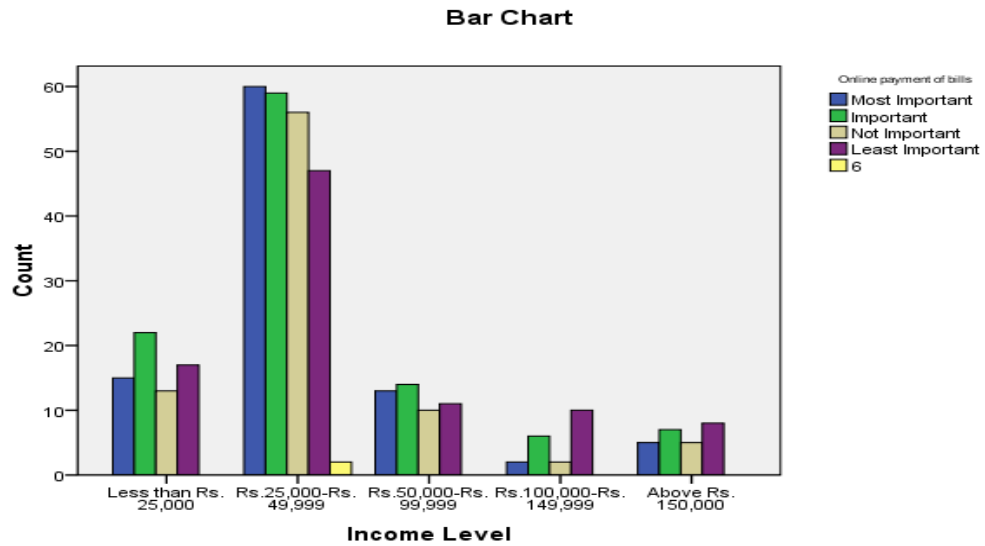


Interpretation 4.3.13

Money transferring facility has been ranked as an important service to have in a bank by a vast majority of respondents. This figure adds up 209 respondents who concur with the importance for a bank to offer this service. This service can create value addition for banks clients and thus should be incorporated in the bank’s portfolio of services as this would create a positive banking experience for the customers.

		Table 4.3.14 Online payment of bills					
		Most Important	Important	Not Important	Least Important	6	Total
Income Level	Less than Rs.25,000	15	22	13	17	0	67
	Rs.25,000- Rs.49,999	60	59	56	47	2	224
	Rs.50,000- Rs.99,999	13	14	10	11	0	48
	Rs.100,000- Rs.149,999	2	6	2	10	0	20
	Above Rs.150,000	5	7	5	8	0	25
Total		95	108	86	93	2	384

Figure 4.3.14 Online Payment of Bills

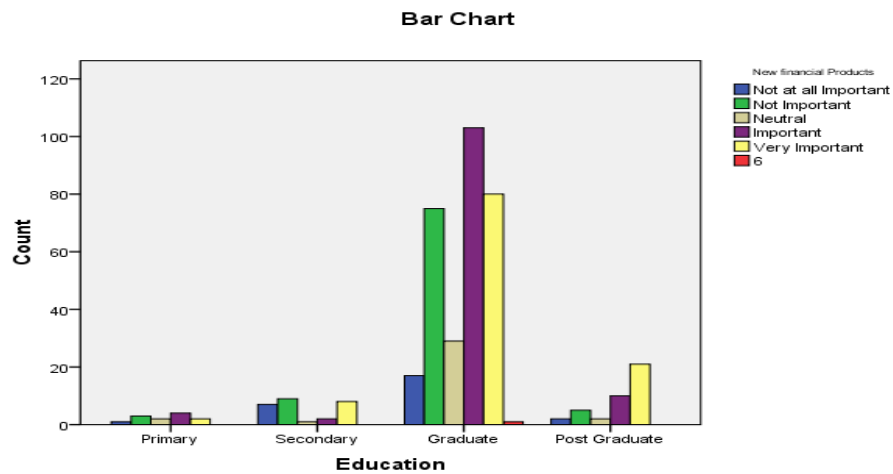


Interpretation 4.3.14

This service is the latest of all kind of services offered by a bank. The ability to pay utility bills through the internet is showing a good support. Around 203 respondents have marked this as a valuable service and thus the bank should add this service in its portfolio.

		Table 4.3.15 New financial Products						
		Not at all Important	Not Important	Neutral	Important	Very Important	6	Total
Education	Primary	1	3	2	4	2	0	12
	Secondary	7	9	1	2	8	0	27
	Graduate	17	75	29	103	79	2	305
	Post Graduate	2	5	2	10	21	0	40
Total		27	92	34	119	110	2	384

Figure 4.3.15 New financial Products

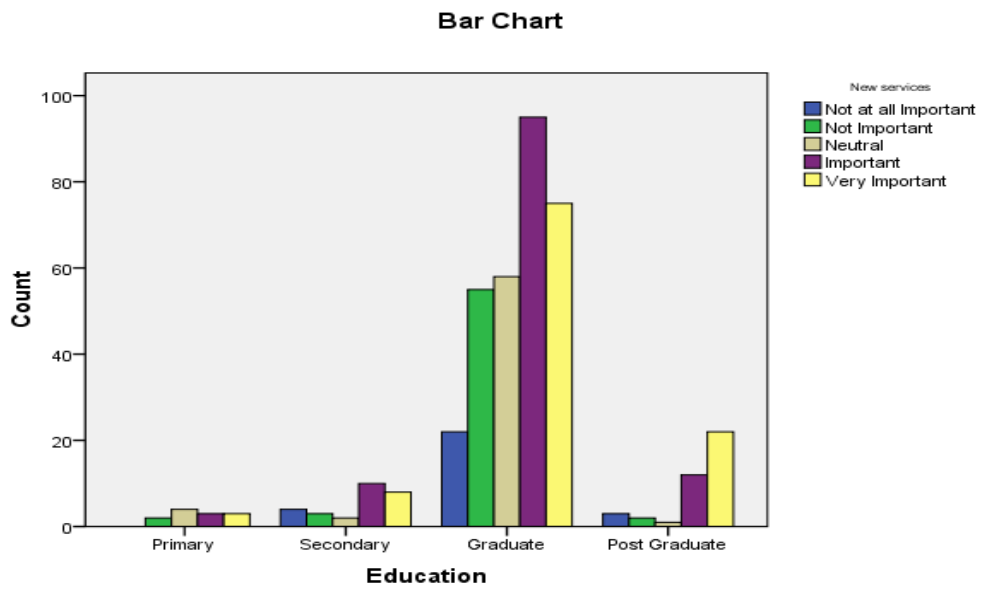


Interpretation 4.3.15

Cross tabulating this dimension of success with education reveals that majority of the respondents consider this dimension as vital for the success of the Islamic bank. This response is totaled to be around 229. Thus innovation in financial products is vital for the success of the bank.

		Table 4.3.16 New services					
		Not at all Important	Not Important	Neutral	Important	Very Important	Total
Education	Primary	0	2	4	3	3	12
	Secondary	4	3	2	10	8	27
	Graduate	22	55	58	95	75	305
	Post Graduate	3	2	1	12	22	40
Total		29	62	65	120	108	384

Figure 4.3.16 New Services



Interpretation 4.3.16

Again a large majority of respondents have marked this dimension of success for an Islamic bank as Important/ vital. The sum of such positive response comes out to be 228. As you can see this question is showing which dimensions can play a vital role in the success of an Islamic bank.

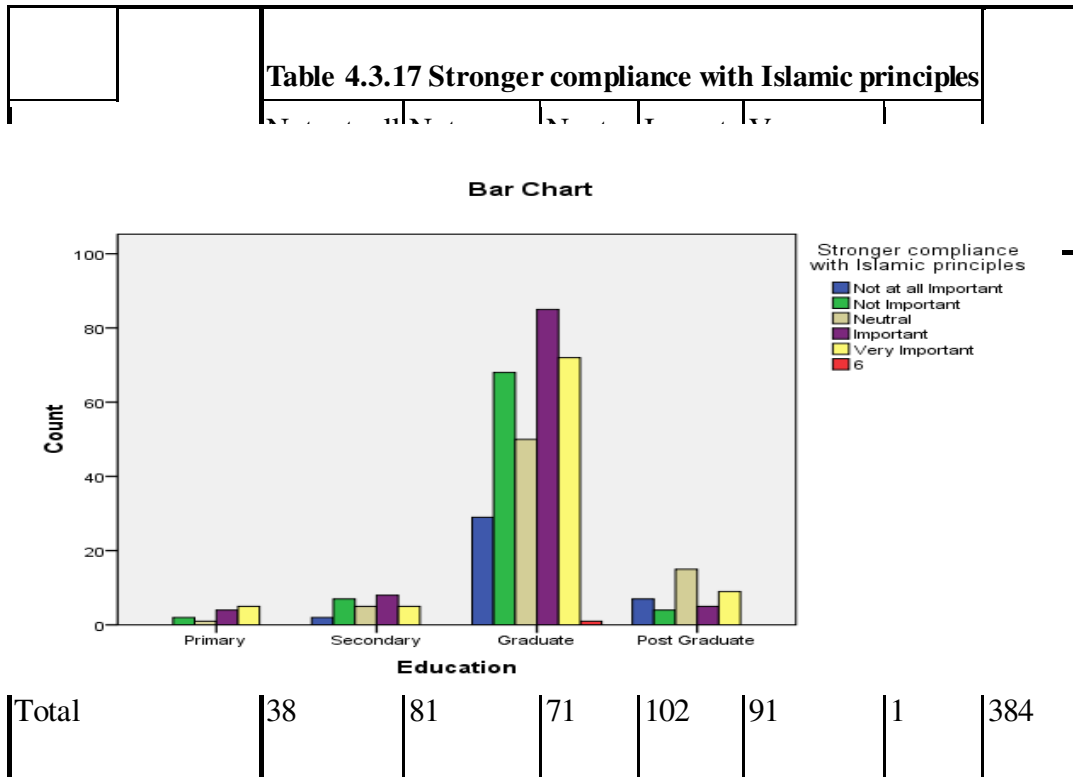


Figure 4.3.18 Stronger compliance with Islamic principles

Interpretation 4.3.18

This response although comes out to be on the positive end of the scale but shows a mix response. But ultimately 193 respondents have market it as a valid factor that can lead to success in this industry.

		Table 4.3.19 Have a strong Shariah advisory council					
		Not at all Important	Not Important	Neutral	Important	Very Important	Total
Education	Primary	2	1	2	7	0	12
	Secondary	2	3	9	11	2	27
	Graduate	16	46	117	81	45	305
	Post Graduate	1	6	21	5	7	40
Total		21	56	149	104	54	384

Figure 4.3.19 Have a strong shariah advisory council

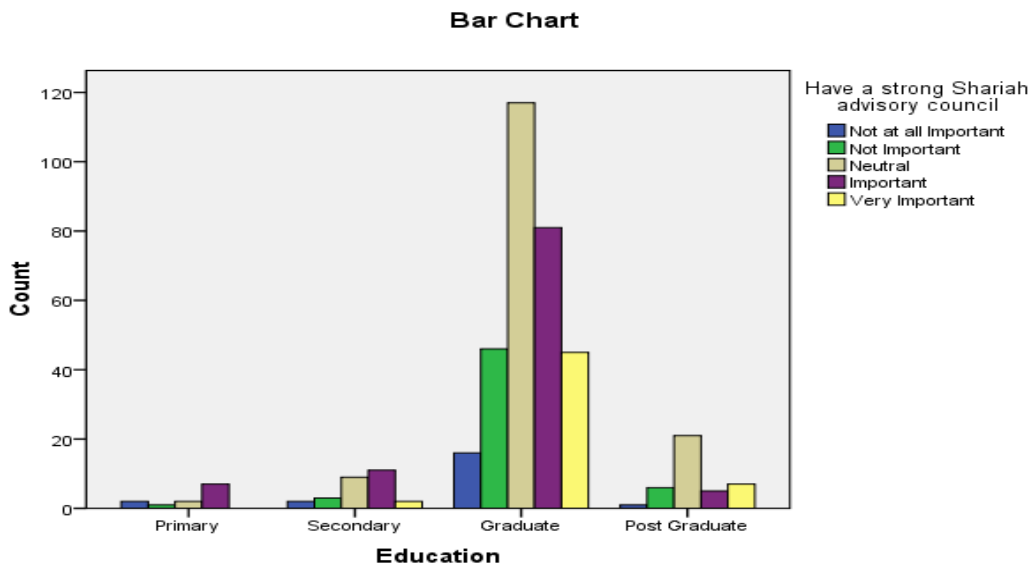
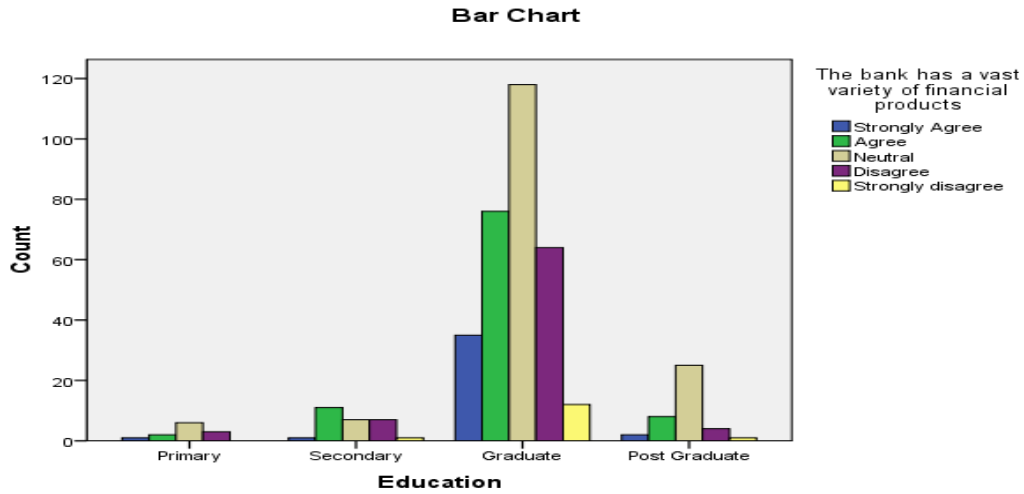


		Table 4.3.20 The bank has a vast variety of financial products					
		Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Total
Education	Primary	1	2	6	3	0	12
	Secondary	1	11	7	7	1	27
	Graduate	35	76	118	64	12	305
	Post Graduate	2	8	25	4	1	40
Total		39	97	156	78	14	384

Interpretation 4.3.19

This question wins an outright majority votes towards the positive end of the scale. Almost 158 respondents have marked it as a valid dimension that could lead to a competitive advantage. But the important thing to note over here is the sum (149) for the option neutral. Well this could reflect the response of a liberal class who uphold the principles of Islamic but do not show allegiance to any particular group of religious Ideology.

Figure 4.3.20 The bank has a vast variety of financial products

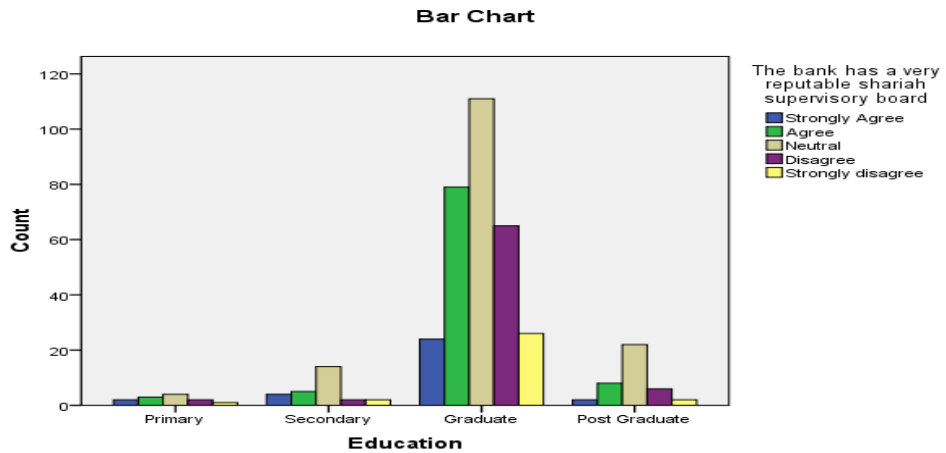


Interpretation 4.3.20

The result does not show a clear majority as 136 respondents believe that the bank their bank has adequate number of branches. But the sum of 156 respondents who have marked this as neutral show that these respondents neither are completely satisfied with the current level of branches nor are the totally dejected. Thus we can infer that the number branches can be increased.

		Table 4.3.21 The bank has a very reputable shariah supervisory board					
		Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Total
Education	Primary	2	3	4	2	1	12
	Secondary	4	5	14	2	2	27
	Graduate	24	79	111	65	26	305
	Post Graduate	2	8	22	6	2	40
Total		32	95	151	75	31	384

Figure 4.3.21 The bank has a reputable shariah supervisory board

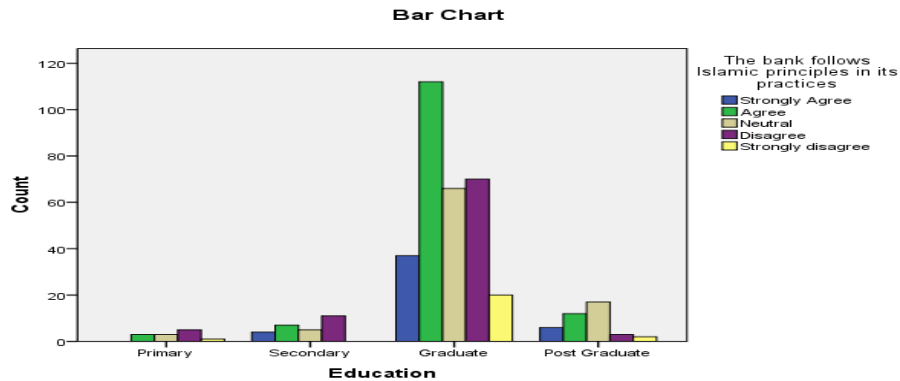


Interpretation 4.3.21

Around 127 respondents have marked this question on the positive end of the scale. This shows that they believe that their bank has a strong shariah supervisory board with which these respondents attach themselves with.

		Table 4.3.22 The bank follows Islamic principles in its practices					
		Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Total
Education	Primary	0	3	3	5	1	12
	Secondary	4	7	5	11	0	27
	Graduate	37	112	66	70	20	305
	Post Graduate	6	12	17	3	2	40
Total		47	134	91	89	23	384

Table 4.3.22 The bank follows Islamic principles in its practices

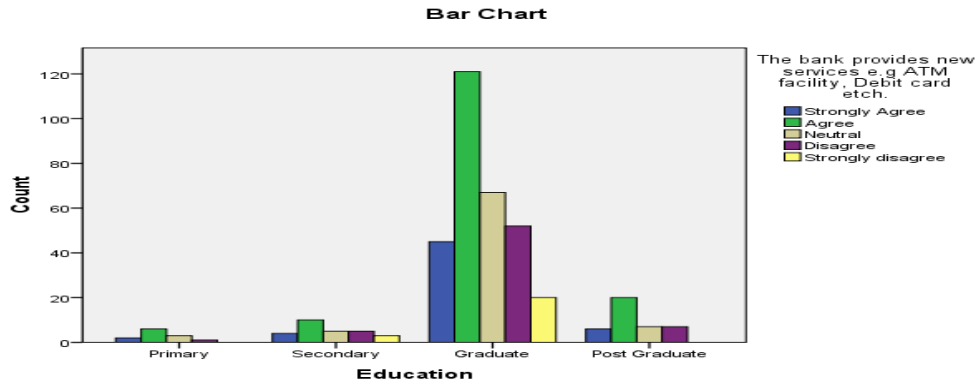


Interpretation 4.3.22

181 respondents believe that their bank currently does operate on Islamic lines. Their bank incorporates the teaching of Islamic in its operation. Thus, a satisfactory response to this answer helps in reaffirming the main distinguishing factor behind Islamic banking and conventional banking.

		Table 4.3.23 The bank provides new services e.g ATM facility, Debit card etc.					
		Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Total
Education	Primary	2	6	3	1	0	12
	Secondary	4	10	5	5	3	27
	Graduate	45	121	67	52	20	305
	Post Graduate	6	20	7	7	0	40
Total		57	157	82	65	23	384

Figure 4.3.23 The provides new services

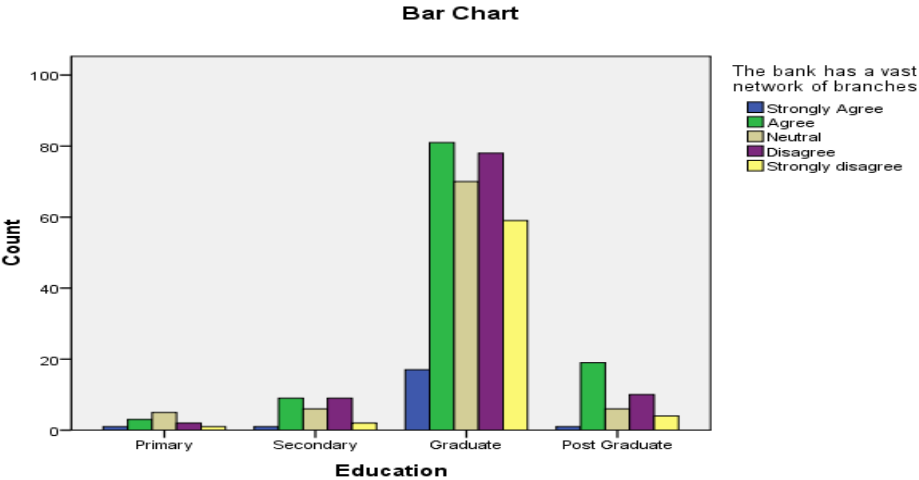


Interpretation 4.3.23

214 respondents feel that their bank is offering new services and thus a positive answer to this question gives a positive hope that Islamic banks can compete with conventional banks on the dimension of services and even come up with services which conventional banks cannot offer.

		Table 4.3.24 The bank has a vast network of branches					
		Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Total
Education	Primary	1	3	5	2	1	12
	Secondary	1	9	6	9	2	27
	Graduate	17	81	70	78	59	305
	Post Graduate	1	19	6	10	4	40
Total		20	112	87	99	66	384

Figure 4.3.24 The bank has a vast network of branches



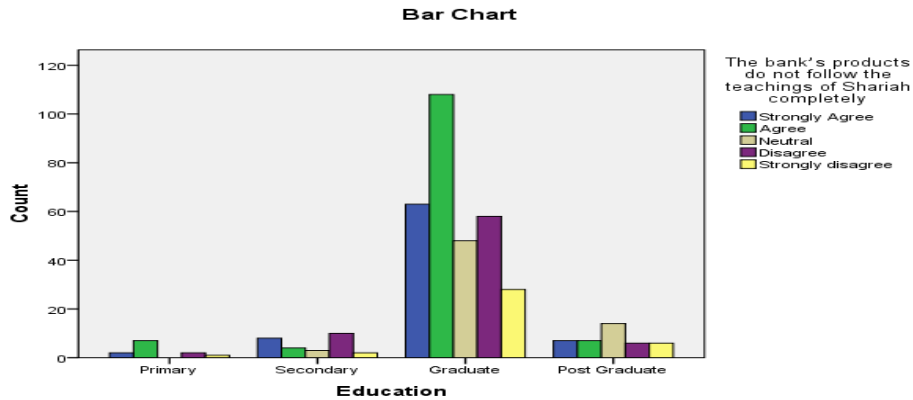
Interpretation 4.3.24

		Table 4.3.25 The bank's products do not follow the teachings of Shariah completely					
		Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Total
Education	Primary	2	7	0	2	1	12
	Secondary	8	4	3	10	2	27
	Graduate	63	108	48	58	28	305
	Post Graduate	7	7	14	6	6	40

Total	80	126	65	76	37	384
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This cross tab is contradictory to the earlier cross tab of this dimension with Income. Over here a total of 165 respondents do not consider the current level of branches of their Islamic banks as adequate and thus this response reinforces the earlier high response to the option “neutral”.

Figure 4.3.25 The bank’s products do not follow the teachings of Shariah

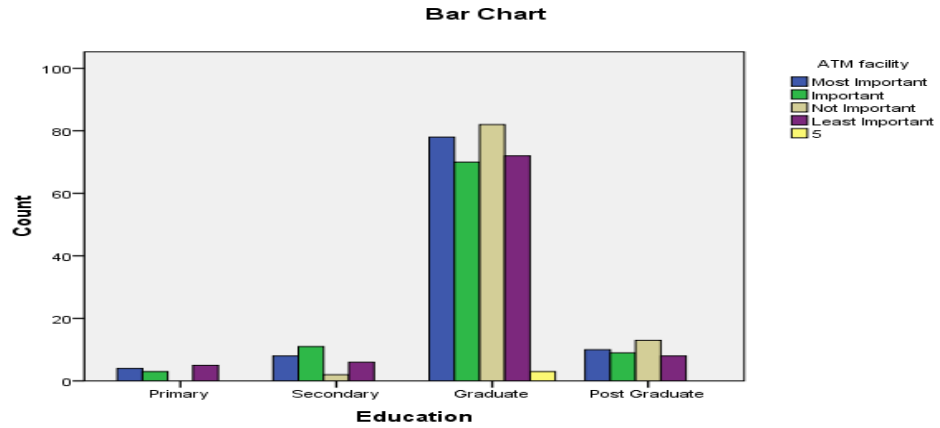


Interpretation 4.3.25

Majority of the respondents (206) have marked that Islamic banks do not follow Islamic principles in their practice. This is consistent with the fact that Islamic banks have to compete with conventional banks as thus have to relax their principles in order to come up with new products.

		Table 4.3.26 ATM facility					
		Most Important	Important	Not Important	Least Important	5	Total
Education	Primary	4	3	0	5	0	12
	Secondary	8	11	2	6	0	27
	Graduate	78	70	82	72	3	305
	Post Graduate	10	9	13	8	0	40
Total		100	93	97	91	3	384

Figure 4.3.26 ATM facility

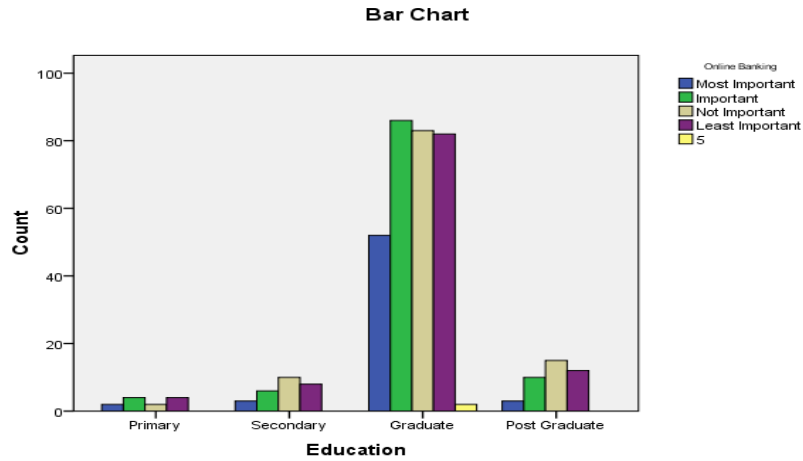


Interpretation 4.3.26

A complete majority of respondents (193) have ranked this service as a must service to have in a bank. Thereby, if Islamic banks can come up with adequate number of functional ATMs than they could generate for themselves a valuable competitive advantage.

		Table 4.3.27 Online Banking					
		Most Important	Important	Not Important	Least Important	5	Total
Education	Primary	2	4	2	4	0	12
	Secondary	3	6	10	8	0	27
	Graduate	52	86	83	82	2	305
	Post Graduate	3	10	15	12	0	40
Total		60	106	110	106	2	384

Figure 4.3.27 Online Banking

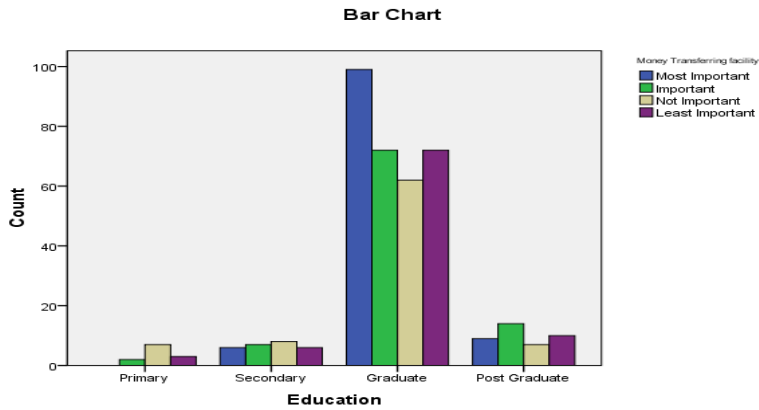


Interpretation 4.3.27

This result is contradictory to the result obtained when I cross tabbed this dimension of service with Income. Over here an outright majority (166 respondents) have vote on the positive side of the scale for this service. Thus, reflecting the point that educated people are exploring new kinds of services and want to use online banking.

4.3.28 Money Transferring facility					
	Most Important	Important	Not Important	Least Important	Total
Education Primary	0	2	7	3	12
Secondary	6	7	8	6	27
Graduate	99	72	62	72	305
Post Graduate	9	14	7	10	40
Total	114	95	84	91	384

Figure 4.3.28 Money Transferring facility

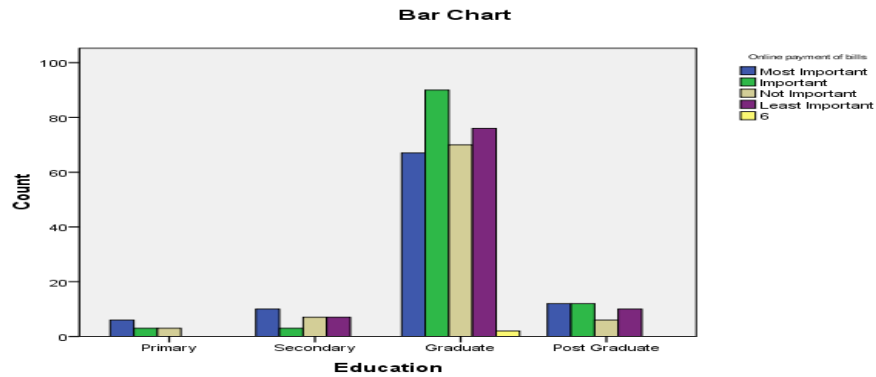


Interpretation 4.3.28

Again the result turns out to be on the positive of the scale with customers wanting money transferring facility from their bank. This show that if an Islamic bank is able to bring its resource together to generate such services than it can generate a strong competitive advantage over conventional banks.

		Table 4.3.29 Online payment of bills					
		Most Important	Important	Not Important	Least Important	6	Total
Education	Primary	6	3	3	0	0	12
	Secondary	10	3	7	7	0	27
	Graduate	67	90	70	76	2	305
	Post Graduate	12	12	6	10	0	40
Total		95	108	86	93	2	384

Figure 4.3.29 Online payment of bills

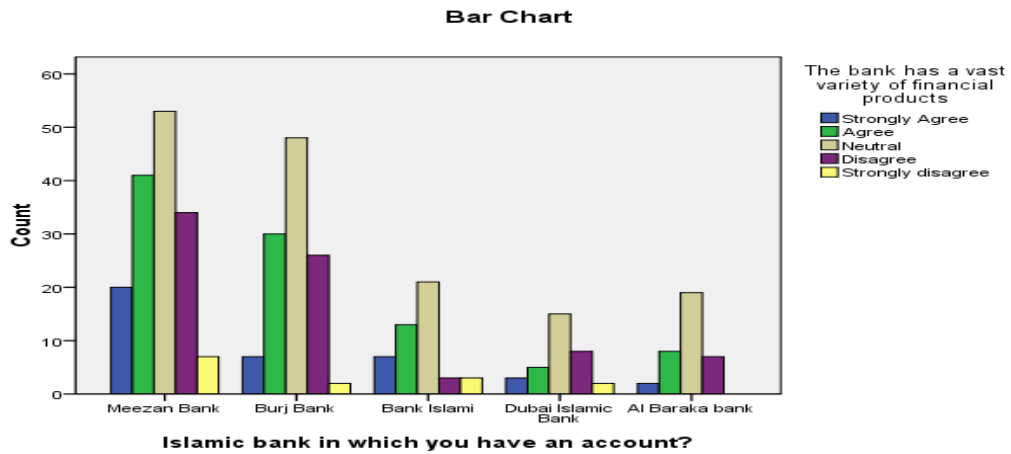


Interpretation 4.3.29

Education wise cross tabs are turning out to be opposite to what they were when cross tabbed with Income. The response is again on the positive end of the scale respondents (203) have marked this as a valid service dimension.

		Table 4.3.30 The bank has a vast variety of financial products					
		Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Total
Islamic bank in which you have an account?	Meezan Bank	20	41	53	34	7	155
	Burj Bank	7	30	48	26	2	113
	Bank Islami	7	13	21	3	3	47
	Dubai Islamic Bank	3	5	15	8	2	33
	Al Baraka bank	2	8	19	7	0	36
Total		39	97	156	78	14	384

Figure 4.3.30 The bank has a vast variety of financial products

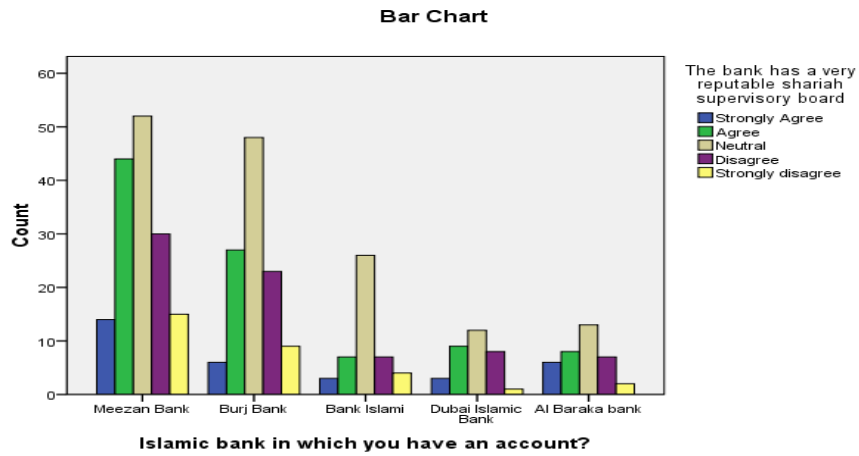


Interpretation 4.3.30

A large number of respondents (61) from Meezan Bank believe that their bank offers a vast variety of financial products. Similar is the case for Burj bank. In fact the sum of this response comes out to be on the positive end of the scale. Which shows, that the success of a bank depends on its portfolio of products which it offers.

		Table 4.3.31 The bank has a very reputable shariah supervisory board					
		Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Total
Islamic bank in which you have an account?	Meezan Bank	14	44	52	30	15	155
	Burj Bank	6	27	48	23	9	113
	Bank Islami	3	7	26	7	4	47
	Dubai Islamic Bank	3	9	12	8	1	33
	Al Baraka bank	6	8	13	7	2	36
Total		32	95	151	75	31	384

Figure 4.3.31 The bank has a very reputable shariah supervisory board

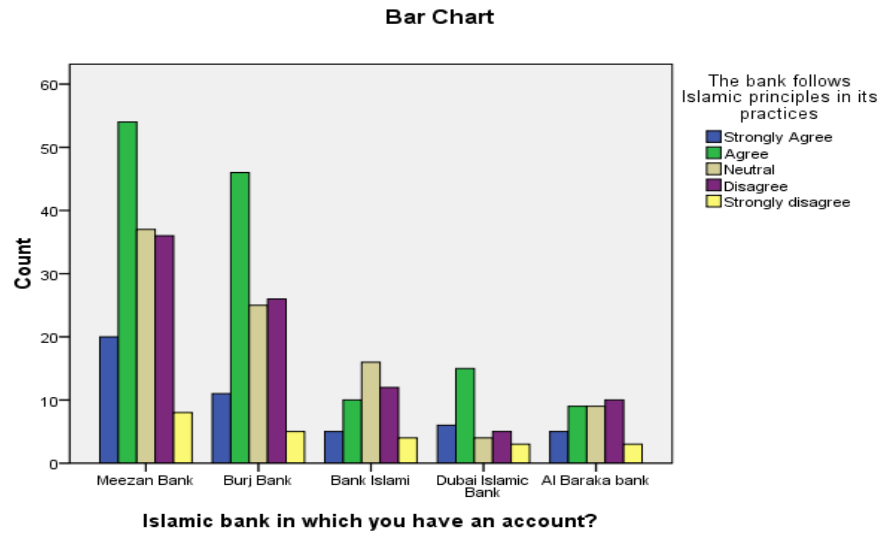


Interpretation 4.3.31

Majority (127) but not a complete majority of respondents feel that their Islamic bank has a well reputed Shariah supervisory board. But again a majority vote going to the option neutral reflects that consumer do not consider this option. This helps to weaken this research fifth hypothesis.

		Table 4.3.32 The bank follows Islamic principles in its practices					
		Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Total
Islamic bank in which you have an account?	Meezan Bank	20	54	37	36	8	155
	Burj Bank	11	46	25	26	5	113
	Bank Islami	5	10	16	12	4	47
	Dubai Islamic Bank	6	15	4	5	3	33
	Al Baraka bank	5	9	9	10	3	36
Total		47	134	91	89	23	384

Figure 4.3.32 The bank follows Islamic principles in its practices

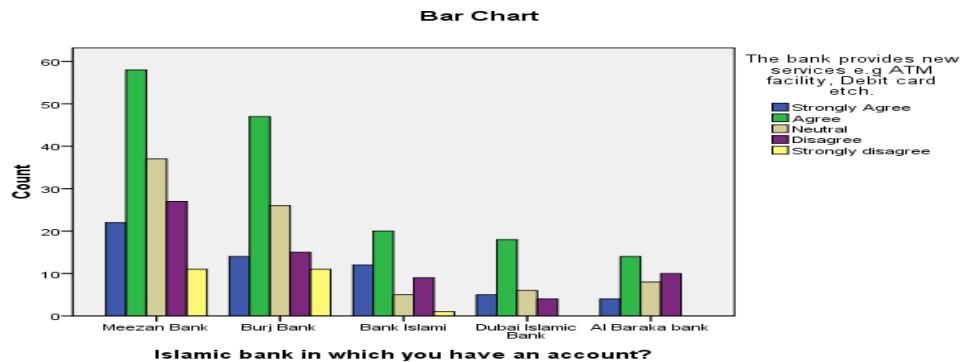


Interpretation 4.3.32

According to this result majority (181) of the respondents feel that their bank follows Islamic principles in its operations. This is an encouraging thing to know as this strengthens are null hypothesis that the main motivator for Islamic banking is religious conviction.

		Table 4.3.33 The bank provides new services e.g ATM facility, Debit card etc.					
		Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Total
Islamic bank in which you have an account?	Meezan Bank	22	58	37	27	11	155
	Burj Bank	14	47	26	15	11	113
	Bank Islami	12	20	5	9	1	47
	Dubai Islamic Bank	5	18	6	4	0	33
	Al Baraka bank	4	14	8	10	0	36
Total		57	157	82	65	23	384

Figure 4.3.33 The bank provides new services

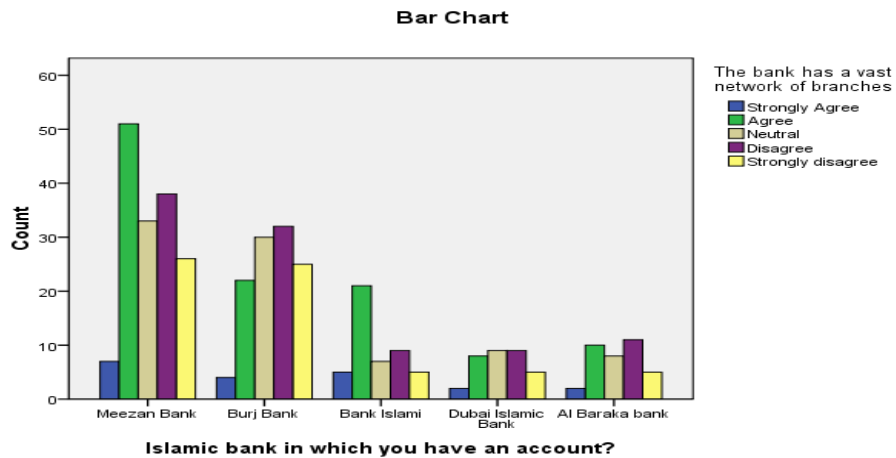


Interpretation 4.3.33

A significant majority of respondent have marked their Islamic bank as providing new services which reinforces the alternate hypothesis that customers consider the quality of services offer by an Islamic bank.

		Table 4.3.34 The bank has a vast network of branches					
		Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Total
Islamic bank in which you have an account?	Meezan Bank	7	51	33	38	26	155
	Burj Bank	4	22	30	32	25	113
	Bank Islami	5	21	7	9	5	47
	Dubai Islamic Bank	2	8	9	9	5	33
	Al Baraka bank	2	10	8	11	5	36
Total		20	112	87	99	66	384

Figure 4.3.34 The bank has a vast network of branches

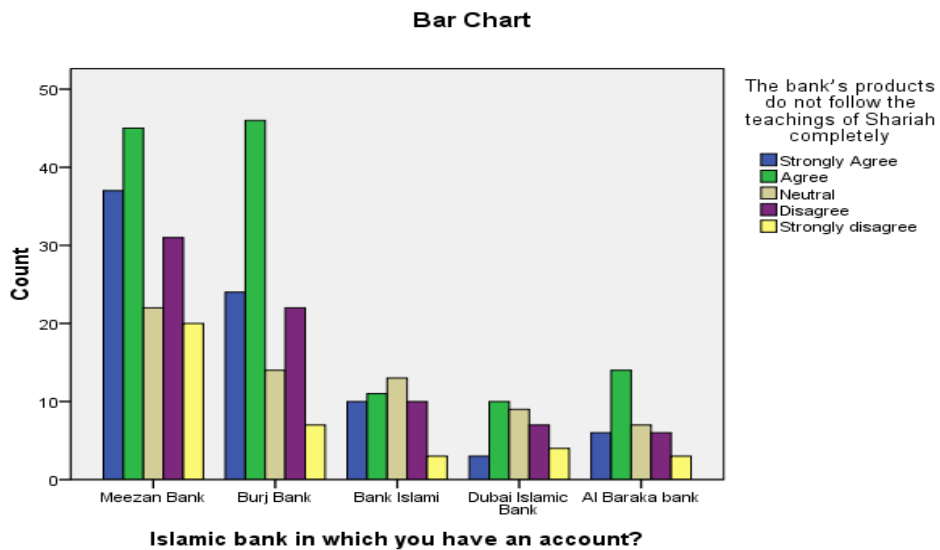


Interpretation 4.3.34

This dimension of service again loses and again a significant majority of customers (165) consider that the current number of branches of Islamic banks is not adequate enough.

		Table4.3.35 The bank's products do not follow the teachings of Shariah completely					
		Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Total
Islamic bank in which you have an account?	Meezan Bank	37	45	22	31	20	155
	Burj Bank	24	46	14	22	7	113
	Bank Islami	10	11	13	10	3	47
	Dubai Islamic Bank	3	10	9	7	4	33
	Al Baraka bank	6	14	7	6	3	36
Total		80	126	65	76	37	384

Figure 4.3.35 The bank's products do not follow the teachings of Shariah completely



Interpretation 4.3.35

This question again comes out to be on the positive side of the scale but has a negative consequence for the theme of the question. 206 respondents concur that their Islamic bank does not adhere to the Islamic principle completely when coming up with financial products.

4.4 Correlation Analysis

		How much do you prefer Islamic banking as compared to Conventional banking	Stronger compliance with Islamic principles
How much do you prefer Islamic banking as compared to Conventional banking	Pearson Correlation	1	.63
	Sig. (2-tailed)		.0001
	N	384	384
Stronger compliance with Islamic principles	Pearson Correlation	.63	1
	Sig. (2-tailed)	.0001	
	N	384	384

The variable “Strong compliance with Islamic principles” has a strong correlation (0.63 is closer to 1) with the dependent variable “preference for Islamic banking”. This result rejects the alternate hypothesis (Ha1).

		How much do you prefer Islamic banking as compared to Conventional banking	New financial Products
How much do you prefer Islamic banking as compared to Conventional banking	Pearson Correlation	1	.65
	Sig. (2-tailed)		.004
	N	384	384
New financial Products	Pearson Correlation	.65	1
	Sig. (2-tailed)	.004	
	N	384	384

“New financial product” variable is having a very strong correlation with the dependent variable. This shows that this is a potent variable in generating the preference for Islamic banking. This result rejects the alternate hypothesis (Ha2).

Correlations

		How much do you prefer Islamic banking as compared to Conventional banking	New services
How much do you prefer Islamic banking as compared to Conventional banking	Pearson Correlation	1	.47
	Sig. (2-tailed)		.003
	N	384	384
New services	Pearson Correlation	.47	1
	Sig. (2-tailed)	.003	
	N	384	384

Preference for Islamic banking is having a moderate correlation (0.47 is not that close to 1) with the availability of new services in an Islamic bank. Thus this variable does play a role in generating the preference for Islamic banking. This result rejects the alternate hypothesis (Ha3).

Correlations

		How much do you prefer Islamic banking as compared to Conventional banking	Bank Reputation
How much do you prefer Islamic banking as compared to Conventional banking	Pearson Correlation	1	.21
	Sig. (2-tailed)		.0005
	N	384	384
Bank Reputation	Pearson Correlation	.21	1
	Sig. (2-tailed)	.0005	
	N	384	384

The variable “Bank Reputation” has a weak correlation with the dependent variable “preference for Islamic banking”. This result supports (accepts) the alternate hypothesis Ha4.

All the above correlation is having a significance level of less than 0.05 which shows that the test performed is relevant. And the closer the value of Pearson correlation is to “1” the stronger the

correlation is between the two variables tested. Below 0.3 is a weak correlation and between 0.3-0.5 the relationship is moderate.

5.0 Findings

1. According to the respondents the primary reason for others (clients) to open an account in an Islamic bank is to gain advantage of better product quality.
2. But when asked about their personal preference they resorted to “compliance with religious principles”.
3. Respondents also considered as important that Islamic banks should follow Islamic principles in its practices.
4. Respondents showed an indifferent attitude towards the need of an Islamic bank to have a well reputed Shariah advisory council, a variable that form an Islamic banks reputation.
5. Respondents again have showed that the reason they are inclined towards Islamic banking is their preference to follow Islamic principles which they feel should be upheld in designing financial products, in an Islamic banking system.
6. Surprisingly, respondents have neither completely rejected the need to have comparable services than conventional banks nor they have showed clear allegiance to it.
7. Respondents while answering an hypothesis testing question have given clear majority rating to new financial products, new services, stronger compliance to Islamic principles, but then again have should an indifferent response to the necessity to have a strong shariah advisory council.
8. The below table shows the dimension of services where Islamic banks can generate a competitive advantage.

Dimensions of services	Response for a conventional bank	Response for an Islamic bank
Documentation process	Bad	Good
Safety of deposits	Good	Bad
System of Online banking	Good	Bad
Attitude of bank employees	Good	Good
Complaint response	Good	Good

The important thing to note over here is that customers consider safety of deposits as a variable that can lead to a competitive advantage. And this variable is a component of bank reputation.

9. Cross tabulation of Question number five with Income level has revealed that respondents require new financial products, new services, stronger compliance with Islamic principles but have shown yet again an indifferent attitude towards Shariah advisory council.
10. Cross tabulation of Question number six with Income has reveal the following things:
 - Respondents believe that their Islamic bank does offer variety of financial products
 - Respondents are again indifferent to the importance of Shariah advisory board.
 - Respondent also believe that their bank follows Islamic principles.
 - Respondents believe that their bank offers comparative services.
 - Respondents believe that the current level of number of branches of their Islamic bank is adequate.
 - But respondents also recognize that their bank's financial products do not follow the principles of Islam completely.
11. Respondents have responded positively towards services like ATM facility, Online banking, Money transferring facility and Online payment of bills. But showed some cold response towards Money transferring facility.
12. Response of Question number five when cross tabbed with education reveals that consumers need new financial products, services, stronger compliance with Islamic principles and a shariah supervisory board. But again the support for the last variable is weak.
13. When question number six is cross tabbed with education it reveals that respondents believe that their bank offers variety of financial products but there is still scope for innovation. Same is the case for number of branches and following completely the teachings of Islam in making financial products. Respondents do believe that their bank has a reputable shariah supervisory board and the bank follows Islamic principles in its practices.
14. Respondent of the education tab with question seven also have shown interest in service like ATM, online banking, money transferring facility and online payment of bills. The result for money transferring facility is better than what was in the Income level cross tabulation.

15. The result of the cross tabulation of question 1 with question 6 revealed that banks in the survey questionnaire do provide new financial products but there is still scope for innovation left to be explored. These banks do follow Islamic principles in their practices. They do provide new services. But they don't completely uphold the practices of Islam, and their network of branches is still weak.
16. The correlation analysis reveals that product quality and compliance with Islamic principles are the top most variables, generating the greatest preference for Islamic banking. Followed by service quality. Bank reputation is in the last, of the four tested variable.
17. The result of this research are summarized in the table below:

Hypothesis No.	Description of the Hypothesis	Accept/Reject
H _{a1}	Religious conviction does not affect the preference for Islamic banking.	Rejected
H _{a2}	Product quality does not affect the preference for Islamic banking.	Rejected
H _{a3}	Service quality does not affect the preference for Islamic banking.	Rejected
H _{a4}	Bank reputation does not affect the preference for Islamic banking.	Accepted

18. Overall the Null hypothesis has been proved by the results.

6.0 Conclusion

From the above analysis, it is revealed that Pakistani banks do follow Islamic principles in their practices, offer new financial products, provide comparable quality of services and have a reputation, of which customers least care about as far as their deposits are safe.

The analysis also reveals that there are discrepancies present in terms of completely adhering to Islamic principles when making financial products in this industry. This reluctance to conform completely with Islamic principles, by strengthening the shariah advisory board has also found a lack of interest from the customers' side as well.

Although it is quite clear that preference for Islamic banking is being driven by product quality and religious conviction more than the rest of the variables, but other variables also play a vital role in creating the demand for this kind of banking.

Services like ATM facility and online banking can generate a viable competitive advantage for this industry. Although, it is amazing to see that this industry is competing quite successfully with its rival banking system, being much older than it is, but there is a scope for improvement. Islamic banks also need to address the issue of shariah supervisory board which according to the analysis has failed to generate enough response from the customers. The problem is worthy of serious consideration because the variable reflects the bank's commitment to adhere to Islamic principles. It would be recommended that Islamic bank highlight the importance of this vital aspect of the industry and try to create a reason for customers to choose a bank.

7.0 Recommendations

- Islamic banks should bring more new financial products following the Islamic principles.
- Islamic banks should finally decide their mode of governance. Whether it should be completely Islamic or not, because driving along the middle path is unsafe for their identity.
- Islamic banks should come up with new services and invest resources in enhancing the quality of current services.
- The banks should invest in strengthening their network of branches.
- Islamic banks should promote the importance of shariah advisory board and try to create reason for the selection of an Islamic bank. Thereby having a strong board would help them to show their commitment to adhere to Islamic principles.