

Religion is Customer's Motive: Empirical Evidence from Islamic Banking Industry of Pakistan

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Abstract:

The Islamic banking is one of the fastest growing industries in the world. Same is the case in Pakistan. Many studies conducted in the context of different countries concluded that it is only the faith related factors which drive customers to invest or use the services of Islamic banks to cater their financial and banking needs. The main objective of this study is to determine empirically either it is only faith factor which influences customer or there are other factors behind the customer's decision to use the Islamic banking service in Pakistan. The data was collected on faith related factors and economic factors (service quality, economic returns, perceived financial strength) through survey questionnaires distributed among the 500 customers of five Islamic Banks, and 16 conventional banks operating in Pakistan. Out of which four hundred responses were found valid. Statistical tests were run to infer the results based on five hypotheses. The result of this study concludes that, along with the faith factors, the economic factors like service quality and economic returns are significantly important behind the customer's intention to use the services of Islamic banking in Pakistan.

Keywords: Intention to Use Islamic Banking Services, Faith Factors, Service Quality, Economic Returns, Bank's Financial Strength, Islamic Banking, Pakistan.

1.0 Introduction:

The bank is defined as an institution responsible for receiving, collecting, transferring, paying, lending, investing, dealing, exchanging and serving money and claim to money to both locally and internationally. The revenue of banks is being earned through their role as an intermediary between lenders and borrowers. That revenue is called interest. These banks are practicing conventional banking laws made by the respective board of directors in accordance to the law of the land. Contrary to this, the alternative is the Islamic banking system, which is Interest-Free Banking and is governed by the Islamic Shariah Law. The source of revenue for Islamic banks working under the Islamic shariah are business contracts based on partnership principles and the risk is being shared by all parties involved (Dusuki and Abdullah, 2007)¹. The justification behind the prohibition of interest-based banking by Islamic law is based on the philosophy that it is unfair and against the principle of equity to receive revenue without taking the risk (Siddiqui, 2008)². As a result, the people who were looking to find a system and parameters to invest in accordance with their religious and personal belief triggered the growth of retail banking. The industry of Islamic banking appeared to be one of the fastest growing industry in Asian and African countries and widely recognized by the masses irrespective of their religion as described (Iqbal & Mirakhor, 2007)³. The existing worth of this industry is estimated around the US \$1.00 Trillion. The wide recognition of Islamic Banking industry among the non-Muslim masses is associated with its strength during the storm of the global financial crisis which raised the question on conventional banks during the crisis, but it was Islamic banking industry which remains untouched by that crisis due to Shariah law under which this industry operates.

2.0 Overview of Islamic Banking Industry of Pakistan:

According to Mehboob ul Hassan (2007)⁴, the first attempt to establish an Islamic financial institution took place in Pakistan in the late 1950s with the establishment of a local Islamic bank in rural area. This banking organization was known as "Rural Cooperative West Pakistan". Some virtuous landlords who deposited their extra money (funds) at no interest, and then lent to small landowners for agricultural advanced, but a small charge was levied to cover the bank's operational costs. The charge was far lower than the rate of interest. This attempt failed due to the limited amount of funds available to be lent and lack of autonomy of operational staff to run the operations. The first and concrete beginning of interest-free banking was initiated with the formation of Council of Islamic Ideology in 1962, and in 1973, the parliament passed the third constitution which promotes to Islamize all legislation and establish Federal Shariah Court to introduce Islamic laws including the economic one. Subsequent to its constitution, the Council of Islamic Ideology in 1980, recommended to the federal government to eliminate the interest element from all commercial banking transactions. In 1985, all commercial banks were given a five-year time period to wipe out all interest based transactions and convert the nomenclature of interest-bearing accounts to interest-free accounts. The banks brought some cosmetic changes in operations which were declared un-Islamic by the Federal Shariah Court in 1991. The federal government appealed against that verdict stating the non-practicality and much complexity to implement that decision in today's environment. Instead, the government took an initiative for the support and promotion of Islamic banking industry parallel to the conventional banking system. The government assigned the task to the State Bank to develop a system to establish full-fledged Islamic banks in the private sector. As a result, in 2002, Meezan Islamic Bank was incorporated, and this was the genuine and legitimate beginning of

Islamic Banking industry in Pakistan. Currently, the number of Islamic Banks which fall in the full-fledged category are five, with a number of branches as 1366, and 1191 full-fledged Islamic branches of 16 conventional banks and 1284 Islamic windows of 9 conventional banks with a total deposits Rs 2,033.0 billion and market share of 14.8% of total banking industry of Pakistan. (State Bank of Pakistan Bulletin, June-2018)⁵.

3.0 Problem Statement:

Islamic banking is a different phenomenon as compared to conventional banking. Many researchers have concluded that only faith related motive is behind the intention of customers to use Islamic banking services across the world. The core purpose of this study is to ascertain, whether it is only faith related motive behind the investment decision in Islamic banking products or some other factors like profit rates, service quality, and bank's financial strength, which are behind the investment decision in conventional banking products, are also influencing investors/customers to invest in Islamic banking products.

4.0 Research Questions:

- 1. What is the role of the faith related factors behind the intention to use the services of Islamic banking?*
- 2. How much role the determinants of conventional banking play behind the intention to use the services of Islamic banking?*

5.0 Significance of the Study:

Many researches have concluded that the faith related motive is the only crucial factor which drives consumers intention to use Islamic banking service/products. There is a different set of proven factors in term of conventional banks which attract investors for

their investment decisions. It is observed that Islamic banking staff seems more concerned about the faith related motive in their business development. The findings of this study rectify the perceptions of Islamic banking professionals in weighing the factors other than the faith to design their marketing and business strategies. This study has faced the limitation in terms of data collection due to the reluctance of respondents to provide the data by filling up survey questionnaire in the shortest period of time from overall Pakistan. The large number male account holders/ investors in Islamic banks may dominate the outcome of this study. As a result, the generalization of the outcomes may be compromised because the female Muslim respondents' experience and priorities might be different for their intention to use Islamic banking services.

6.0 Literature Review:

The customers are highly interested in the Islamic banking just because of the faith related factors which is, that these banks provide interest free banking because the interest is prohibited under the Islamic shariah law (Omer, 1992)⁶. Al-Ajmi et al. (2009)⁷ conducted a study on this subject in Bahrain, which stated that the customers select to invest in Islamic banking product because of faith related factor. Religion is the major factor which influences their decision. The same study was performed in 1999 by Naser in Jordan where they surveyed 206 Islamic banking customers. Comparably, the study found that most of the customers selected the reason for choosing Islamic bank is the religion factor and approximately 70% of the respondents preferred Islamic Banks because of that factor. Another study by Metawa and Almosawi (1998)⁸ observed that the Shariah principles are the primary factor for customers while selecting a bank either for investment purposes or for transactions. The study conducted on Singapore clients by Gerrard and Cunningham (1997)⁹ indicated that the clients were well aware, sensible and attentive, and they were comfortable to pursue or to follow the Shariah rules, regulations

and laws. According to Naser's Jordan study, the clients also consider the bank's reputation as per religious convictions, opinions, and principles because it is the way required to maintain and enhance the Islamic banking services. Naser et al. concluded that there were multiple and dynamic factors which had influenced the clients to select Islamic banks i.e. bank's reputation, most importantly the religious motives and aims, profitability and the competitiveness. The particular inference can be made from this study that the Islamic bank customers select it because of the religious factors as well as economic or monetary factors. Another study by Hegazy (1995)¹⁰ which was conducted in Egypt found that the customers with stronger religious beliefs and strictly following Islamic laws or principles tend to use Islamic banking services. However, it was also learnt that still like to compare the Islamic banking services and products with conventional banks in order to select the best option among those.

According to Rehman and Shabbir (2010)¹¹ religion plays an important role in shaping people beliefs, attitudes and knowledge as well as it impacts on customer decision and action because it teaches the difference between non-prohibited and prohibited things. Idris et al. (2011)¹² analyzed that religious thinking that customers have in their mind regarding selection of Islamic banks are interest free transaction, conformation of Shariah laws, social contribution in form of zakat, transparency and honesty but Islamic banks not only take favor from religious aspect of customer but also provide quality products and services. In Malaysia religion has a powerful impact on directing the behavior of citizens socially and personally. It suggested that the tendency of customers towards Islamic Banks is mainly because of their faith, though the response is very low but with passage of time it is increasing. Usman et al. (2017)¹³ reported that religion affects the decision of Indonesian customers in the traditional group (consisting of IB customers), but it does not have any effect on banking choice decisions for the contemporary group.

Anamitra, Fauzia & Rajesh (2018)¹⁴ reported in their study conducted in UAE that the religion is one of the dominant factors to persuade customers for investment decision in Islamic banking. In case of making an investment decision in conventional banking system, the most crucial factors are quality of service offered by the bank (Kaufman, 1967)¹⁵. Another study concluded that other than the factors discussed by Kaufman, the important factor which drives the customer decision to invest in Islamic banking is convenient location (Jing 2010)¹⁶.

On the other side, Erol & El-Bdour (1989)¹⁷ and Erol, Kaynak & El-Bdour (1990)¹⁸ conducted study in Jordan where they marked three selection factors for Islamic banks: reputation, confidentiality and efficient services which advocate that religion is not a basic factor for selecting Islamic banking. They found out that it is not religion that attracts customers towards Islamic banking, but the products and services attract them towards any conventional or Islamic bank. Erol argues based on his studies that due to service quality and professional attitude, customer satisfaction increases and customer exodus decreases. There are 40% of customers who turn to another bank due to bad customer services. In consumer behavior research (Awan, et al, 2014)¹⁹, it's found that when the quality of services is delivered to customers it automatically creates a good relationship between the two parties. Haron et al. (1994)²⁰ analyzed the three most basic factors for bank selection as efficiency, speed and friendliness. They also found that 40% of respondents choose Islamic banking because of Islamic/religious factor. Dusuki and Abdullah found in Malaysia that a bank employee also plays a significant role in attracting customers to take decision about selecting a bank. Their behaviour includes efficiency and effectiveness in transaction handling, knowledge and experienced bank personnel and staff friendliness. Ability to communicate trust onto customers, displaying

competences and being courteous are major things that a good employee should have (Zameer et al, 2015)²¹.

Gait and Worthington (2008)²² examined that the factors which are important for choosing the Islamic banking are service quality, bank reputation, religious and pricing aspects. As the idea of Islamic banking is comparatively new and customers have less knowledge about Islamic finance, Islamic banks must develop innovative and strong marketing program so that customer easily gets aware of Islamic products and services (Rammal & Zurbruegg, 2016)²³. In Malaysia, Tan (2000)²⁴ analyzed that quality of services plays a pivotal role in customer satisfaction. She explored that in Malaysian market, customers are more convinced with the speed of transaction along with accessible location, fast services, parking facilities and reception rather than the bank size and mass media advertising by the Islamic banks. Instead of depending on Islamic image they have to give quality products and services. Al-Ajmi's study during 2009 in Bahrain disclosed that customers select Islamic banking not only on the bases of Islamic values but also because of certain other factors like quality of services and costs, influence of family and friends, parking facility, accessibility to ATM, location of branches, image of bank, socially responsible company, financial strength and risk management, etc. The customer satisfaction is highly influenced by level of trust, perception about the bank and loyalty (Ali, 2017)²⁵. Trust is also a major factor that develops customer loyalty. Thus, Islamic banks must work on building customer loyalty if they want to compete and win a better value in the current cut-throat competitive market of conventional banking with extreme marketing tactics.

6.1 Faith Related Motive

Kirkpatrick (2005)²⁶ described religion as “psychological connection, dominant emotional relationship to things”. Islamic banks are founded on the code and philosophy of Islam stating that the banking transaction be based on interest-free transactions and risk sharing. Metawa and Almosawi emphasised on the religious factor as decisive for customers to invest in Islamic bank and not to be bothered by the financial returns on their investment. Khattak and Rehman (2010)²⁷ also supported the idea that most of the customers invest in Islamic banks due to religious reasons.

6.2 Service Quality

Service quality is the overall evaluation of a specific service firm that results from comparing that firm’s performance with the customers’ general expectations of how firms in that industry should perform. The good service quality is closely associated with service time and post-service procedures to meet the customer expectations. it is one of the most important factors for customers to opt for a bank for their banking needs. In order to maintain a competitive advantage, Islamic banks’ managers are also conscious to improve and increase their service quality to avoid any customer complains because they realise what customer retention means for their bank (Asif et al., 2016)²⁸.

6.3 Economic Returns

High returns on investment will be realized when banks offer better profit rates along with the decrease in charges applied on services (Rashid and Hassan, 2009)²⁹. An independent study some years ago highlighted that the transaction fees, price of bank product and availability of credit as a high return on bank investment in the eyes of customers. Several researches conducted in Jordan have indicated the return on deposits as of the major decisive factor for investors to opt for Islamic banks, same was the result

in case of Pakistan. This was endorsed by the conclusion of a study conducted in Malaysia, the hub of Islamic banking system.

6.4 Perceived Financial Strength

The financial strength and reputation of a bank among the customers is a phenomenon when the customers are certain about bank's sustainability and they realize higher rates of profitability. It has been found that while choosing a bank for investment, one of the most influencing factor for the investors is the image of the bank (Hayat & Khuram, 2011)³⁰. The importance of bank's reputation in the market, which is associated with higher profitability and sustainability of the bank, have also been found to play a role in influencing people's decision when choosing for their banks. The reputation however may be rather subjective as it heavily depends on customers' view and impressions of the bank. Though reputation has been repeatedly found to influence the reason of bank preference among customers, the findings are by no means conclusive (Sayani & Miniaoui, 2013)³¹.

6.5 Convenient Location

In a study conducted by Kaufman, it has been recommended that the bank's convenient location to investors is also an important factor in a decision of investing in a bank followed by quality of service offered by bank. Haque & Ismail (2009)³² stated that the convenient location of a bank is also one of the vital factors for investor in their bank selection decision along with low service charges and friendly bank staff. Another study conducted by Echchabi (2012)³³ in Malaysia supports the finding of above study by weighing the bank's convenient location as a significant factor for investment in Islamic banking.

By taking note of all this literature, it seemed that in case of Islamic banking the faith related factors were considered the only factor by multiple studies conducted in different countries, whereas the conventional banking determinants of customer intention are neglected. So through hypotheses development of both faith related and non-faith related factors, this study will test both sides and will come with some empirical evidences to approve or refute some existing phenomenon.

7.0 Hypotheses Development:

H₁: *Perceived Factors Related to Faith is the only factor behind the intention to use Islamic*

banking services.

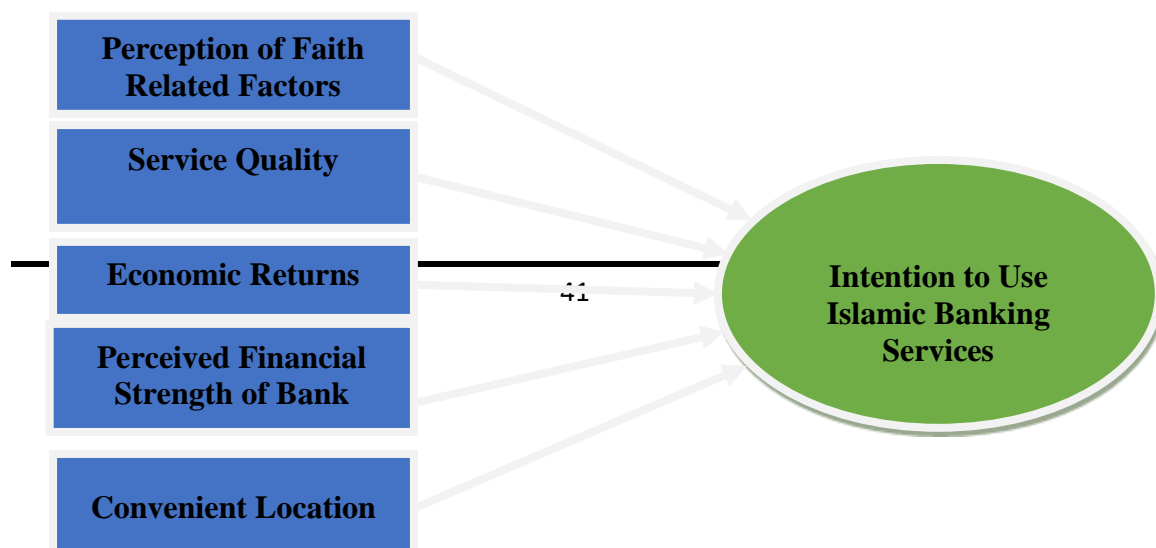
H₂: *Service quality influences the customers' intention to use Islamic banking services.*

H₃: *Economic returns influence the customers' intention to use Islamic banking services.*

H₄: *Perceived financial strength of the Bank influences the customers' intention to use Islamic banking services.*

H₅: *Convenient location influences the customers' intention to use Islamic banking services.*

8.0 Conceptual Framework:



9.0 Research Methodology:

Research methodology means a systematic and logical analysis of methods required for conducting the research. The researcher is required to decide about philosophical assumptions of research, a paradigm of research, methods, approaches strategy and techniques as stated by Saunders (2011)³⁴. As the business research falls within the scope of social science, the quantitative studies of social sciences are being conducted under the umbrella of positivist philosophy. There are two possible approaches available with a researcher to build his argument-the first is deductive, the second one inductive. The design of any research is being considered by researchers as a blueprint of conducting a research. The main objective of this is to follow the roadmap which takes a researcher to the logical end to address the problem in a logical way recognized by the experts of that domain. The important elements of research design are required to be discussed in this blueprint are the purpose of research, research strategy and methods. The business research follows three types of investigation; exploratory, descriptive and explanatory/hypothesis testing. Based on this, the purpose of this study will be to explain the factors which drive the customers to invest in Islamic Banks and then explain the magnitude of each factors effect on investment in Islamic Banks. Saunders classified the research strategy into the experiment, field survey, case study, action research, grounded theory, ethnography and archival research.

Selecting the right strategy is being determined by the nature of the research question and its objectives. As the purpose of this study is to explain and examine the most important factors which drive to invest in Islamic Banking, therefore the field survey is followed to conduct this study. Another element of research design is to decide which method of data collection will be used either the quantitative or the qualitative?

According to Saunders, the quantitative data benefits the study with unbiased and generalization of findings because the researcher is considered external to the study and results carry objectivity. Considering the explanatory purpose of this study, the quantitative method of data collection is used and the cross-sectional data is gathered in non-contrived study settings; and the unit of analysis is an individual.

9.1 Population and Sampling

The population of this study/work consists of all account holders/customers of 1366 branches of five Islamic Banks (Meezan Bank, Bank Islami, Dubai Islamic Bank, Baraka Bank and MCB Islamic Bank), and 1191 Islamic banking branches of 16 sixteen conventional banks operating in Pakistan during the months of September, October and November, 2017 (State Bank Bulletin, June-2018). As the researcher did not have the frame of reference (list of all account holders of Islamic Banks and Islamic branches of conventional banks), it was not possible to select probability sampling method, therefore 500 subjects were selected through judgmental sampling technique of non-probability sampling to collect the primary data.

9.2 Data Collection

As it has been discussed earlier that this study has been conducted in non-contrived settings by opting the field survey, therefore the primary data have been collected by distributing survey questionnaire both online and by visiting different branches of Islamic banks. The structure of the questionnaire consisted of two parts, one part was for collecting data to measure the variables on the five-point Likert scale and the other part collected responses on demographic variables.

10.0 Data Analysis:

In order to collect the primary quantitative data, 500 survey questionnaires were distributed among the respondents manually and electronically. Out of 500 questionnaires, about four hundred and thirty respondents filled in the data, and only 400 were completely filled in, that makes the response rate is around 80%.

Age

	Frequency	Percent	Valid Percent	Cumulative Percent
18-25 years	6	1.5	1.5	1.5
26-35 years	26	6.5	6.5	8.0
36-45 years	104	26.0	26.0	34.0
Valid 46-50 years	170	42.5	42.5	76.5
50 & Above years	94	23.5	23.5	100.0
Total	400	100.0	100.0	

Descriptive analysis and regression analysis was used to find out the prediction power of independent variables for explaining the variance in intention to use Islamic banking services.

10.1 Descriptive Analysis of Demographics

Gender

	Frequency	Percent	Valid Percent	Cumulative Percent
Male	261	65.3	65.3	65.3
Valid Female	139	34.8	34.8	100.0
Total	400	100.0	100.0	

It is apparent from the figures in the table given above that most of the population in the survey was male.

It is apparent from the figures in the table given above that most of the population in the survey was in the age of 45 to 50 years.

Educational Qualification

	Frequency	Percent	Valid Percent	Cumulative Percent
Intermediate	39	9.8	9.8	9.8
Valid Graduate	327	81.7	81.7	91.5
Valid Post-graduate	34	8.5	8.5	100.0
Total	400	100.0	100.0	

It is apparent from the figures in the table given above that most of the population in the survey qualification is graduation.

Income

	Frequency	Percent	Valid Percent	Cumulative Percent
Rs.20,000- Rs.30,000	6	1.5	1.5	1.5
Rs.31,000- Rs.40,000	28	7.0	7.0	8.5
Rs.41,000-Rs. 50,000	85	21.3	21.3	29.8
Rs.51,000 –Rs. 55,000	162	40.5	40.5	70.3
Rs.55,001 & Above	119	29.8	29.8	100.0
Total	400	100.0	100.0	

It is apparent from the figures in the table given above that most of the population in the survey was drawing an income between Rs. 41000 and Rs. 55000.

Professional Industry

	Frequency	Percent	Valid Percent	Cumulative Percent
Academia	69	17.2	17.2	17.2
Financial Corporate	81	20.2	20.2	37.4
Valid Non-Financial Corporate	162	40.5	40.5	77.9
Public Sector	88	22.1	22.1	100.0
Total	400	100.0	100.0	

It is apparent from the figures in the table given above that most of the population in the survey was working in the public and non-financial corporate sectors.

11.0 Reliability Statistics:

Cronbach's Alpha ^a	N of Items
.804	27

While ensuring the reliability of data collection tool, the researchers take the help from Values of Cronbach's Alpha value. In other words alpha values are just like litmus test for ensuring the inter-item consistency of scale to make data reliable collected through that tool.

The threshold of alpha values are considered differently by different researchers. The most widely accepted minimum threshold is >0.60 and the alpha value >0.80 is good and highly recommended. In addition to that, in social science research, the alpha value >0.50 is also indicator that the data is reliable. As per the table has given above, the reliability and validity of the data were 0.84, which means that 80.4% of the data entered in the survey was reliable and valid.

12.0 Regression:**Model Summary^b**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics		
					R Square Change	F Change	df1
1	.393 ^a	.475	.456	.58919	.475	11.226	2

a. Predictors: (Constant), PFRF, SerQ, EcoR, PFBSB, CLB

b. Dependent Variable: IUIBS

The fitness of selected research model is being assessed through the value (R^2). In the research terminology, the model fit means how much variance in the dependent variable is being caused by the variance in selected independent variables. Higher the value of R-square higher the model fitness of selected variables.

In case of our study analysis, the values of R-square is 0.475 (47.5%) and adjusted R square is 0.456 (45.6%). To interpret these results, the fitness of this model stands at 47.5%. By bringing variance in the independent variables, the maximum 47.5% prediction of variance in dependent variable can be made.

The remaining component of variance in the dependent variable can not be caused with the help of independent variables of this study. There are other factors who can be responsible for that, which are not part of this study.

13.0 Regression Analysis of All Variables

(ANOVA)

Hypothesis	Model Variables	Beta Coeff:	P-Value	Results
1	PFRF → IUIBS	.371	.044	Accepted
2	SerQu → IUIBS	.358	.041	Accepted
3	EcoRe → IUIBS	.297	.036	Accepted
4	PFSB → IUIBS	.163	.033	Accepted
5	CLB → IUIBS	.234	.050	Rejected

14.0 Discussion:

14.1 Perception of Faith Related Factors (PFRF)

According to the findings of the study, PFRF is a significant influential factor in intention to use Islamic banking services (IUIBS). As it shows positive relationship with predicted variable (IUIBS) with ($\beta=0.371$) and ($p < 0.05$). That means PFRF contributes more than 37% in IUIBS. The results show that H_1 accepted.

14.2 Service Quality (SerQu)

Regression estimate results show that SerQu is a significant influential factor in intention to use Islamic banking services (IUIBS). As it shows positive relationship with predicted variable (IUIBS) with ($\beta=0.358$) and ($p < 0.05$). That means service quality contributes almost 36% in IUIBS. The results show that H_2 is also accepted.

14.3 Economic Returns (EcoRe)

In case of economic returns (EcoRe), p-value is less than 0.05 with ($\beta=0.297$), that depicts the significant association among variables. The results of regression analysis show that the economic returns is the third most important factor after the faith related factors which contributes more than 29% in predicting the intention to use Islamic banking services (IUIBS). Based on the p-value $p < 0.05$, the third hypothesis is also accepted.

14.4 Perceived Financial Strength of Bank (PFSB)

As far as economic return (PFSB) is concerned, the p-value is less than 0.05 with ($\beta=0.163$), which depicts the significant association among variables. The results of regression analysis show that the PFSB is the lowest factors among all the five factors

under study. It contributes around 16% in predicting the intention to use Islamic banking services (IUIBS). Based on the p-value $p < 0.05$, the fourth hypothesis is also accepted.

14.5 Convenient location of Bank (CLB)

The p-value of perceived financial strength of a bank (CLB) is equal to 0.05 with ($\beta = 0.234$), and depicts the insignificant association among variables. As it seems insignificant therefore the fifth hypothesis is being rejected.

15.0 Conclusion:

The primary objective of this study was to determine if it is only faith related motive behind the intention of customers to use services of Islamic banking in Pakistani customers. Based on the statistical results, it is concluded that although the faith related factors are the most important factors behind the intention of customers to use the services of Islamic banking in Pakistan, but they are not the only factors which influence the customer's choice of Islamic Banking products and services. Reason being the beta coefficient scores of non-faith related variables showing significant contribution in predicting the intention of customers' for their choice of banking services.

As far as the second main objective of this study is concerned, the statistical results conclude that the non-faith related factors like service quality, economic returns and financial strength contribute to the customers' intention to use services of Islamic banking just like they do while making investment decision in conventional banks.

16.0 Recommendations:

Based on the findings of this study, the researcher recommends some suggestions to the executives and decision makers of the financial institutions of Islamic banking industry, in the context of customers intending to use their services. These recommendations will

help out the Islamic financial institutions to design their strategies to face future challenges. The *first* and foremost significant factor to focus is related to faith. The bankers should emphasize and be sensitive about the perception of customers that the bank is fully compliant with Islamic Shariah in its products and services. Because it is the principal factor which drives the customer's intention. The Shariah compliant division should conduct Shariah audits regularly which will increase the customer base and ultimately will increase the profitability.

Secondly, the Islamic banks while emphasizing on faith related factors should not neglect the subjects of service quality and economic returns. Because the service quality is equally important in Islamic banking as it is in conventional banking, so is the impact of economic returns. Therefore, this study suggests that while launching new products, developing pricing policies and promotional strategies, the policy makers should take these factors into account.

17.0 Implications for Further Research:

First, the focus of this study is only Pakistani industry so there is room for future research to compare and contrast the findings worldwide.

Second, the regression model suggests that these five variables (predictors) are explaining the variance in dependent variable (IUIBS) around 47%. The larger portion of dependent variable is unexplained by these predictors. The researcher can take into account a comprehensive list of variables from literature to develop a comprehensive model for addressing the remaining part of IUIBS.

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