

Impact of Adoption of Islamic Banking on Consumer Perceptions: A Case of Pakistan

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Abstract. Knowledge, awareness and religious beliefs plays a vital role in the adoption of Islamic banking towards consumer perception. This study aims to identify the impact of adoption of Islamic banking towards consumer perceptions in Pakistan. In this study, primary data is used collected through questionnaire filled by 306 respondents. Adoption of Islamic banking is categorized on the basis of three dimensions including consumer's knowledge, awareness & religion which measured by demographic analysis through questionnaire. Descriptive statistics, regression analysis, correlation analysis and reliability analysis are major techniques used for hypothesis testing. This quantitative research concluded that there is a significant and positive impact of knowledge, awareness and religious beliefs on consumer perceptions. There is a low positive but directly related relationship of knowledge, awareness and religious beliefs with consumer perceptions. The conclusion of the current study is that awareness and religious beliefs are directly related with consumer perceptions and the maximum consumers have less knowledge and awareness about Islamic banking because of absence of marketing strategies and advertisement. It would be best to focus on the marketing strategies and advertisements in order to increase the adoption rate of consumers towards Islamic banking.

Key words: Consumer perception, knowledge, awareness, religious beliefs

1 Introduction

The Islamic banking is based upon trading and sharing of loss & profit. It works upon the principles of Shariah whereas it opposes lending and investing in unethical business activities. Profit and loss sharing (PLS) comes close to replacing interest as a means of resource allocation mentioned by (Majeed and Zainab, 2017). Islamic banking is basically an alternative of riba and it encourages trade without riba. In the Quran, the Allah Almighty says that: "And Allah has permitted trading and prohibited riba" (Surah Al-Baqarah). Islamic financial system is a fast-growing part of the financial industry. Muslims have been able to make progress without debt for mobilizing capital that helps to finance economic work and fulfill the needs and wants of buyer's since the beginning of Islam's heritage stated by (Zouari and Abdelhedi, 2021). Islamic banking has seen extraordinary growth throughout the world especially during world's largest most deep recession. Wilson (2011) summarized that the first and most important issue is to

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maintain soil fertility of financial services. The second factor is the low level of public assistance. Shariah regulations govern the operational activities. The basic concept is to remove all inequities in the banking sector of society. Islamic Shariah laws and guidelines providing aid in the identification of solution to a wide range of financial and non-financial issues.

However, due to considerations such as adherence with principles that forbid exploitation, deception, and fraud, Islamic banking has recently gained widespread recognition and support from all religious communities around the world elaborated by (Venardos, 2012). Islamic banks showed resistance to the 2008 financial crisis and improving profit efficiency stated by (Hasan and Dridi, 2011). Furthermore, evidence shows that Islamic banks promote economic and financial stability researched by (Abduh et al., 2011). Furthermore, there is mounting evidence that Islamic banks are becoming more cost and profit efficient as a result of well-established regulatory frameworks, sophisticated human capital, and improved risk management practices. The first Islamic bank of Pakistan was established in 1950 in a rural area, that bank was charging no interest on its lending. In 20th century, the Muslims financial and economic expert paid a well attention or focus in banking and finance, economics to find means eliminating the concept of Riba presented by (Reddy et al., 2015). Muslims were able to maintain a plan without involvement for mobilizing assets to finance constructive things and consumption needs and wants from the beginning of Islam's culture. The restriction of interest is one of the most important aspects of Islamic economic analysis. Islamic financial system is a system that is entirely governed by Islamic principles (Shariah). The operations and activities are founded on Shariah rules. The core idea is to eliminate the all injustices from the banking area in the society. In the Islamic financial institutions literature, there is a misguided belief that Islamic banking, which is based on revenue sharing (PLS), is theoretically better than traditional interest-based banking proved by (Narayan and Phan, 2019). Traditional banking critics claim that the traditional banking system is centered on profit maximization and encourages banks to take major financial risks, resulting in societal issues insisted by (Khan and Bhatti, 2008). As a result of this situation, there has been a surge in desire for ethical alternatives to the mainstream banking sector in the west making. The Islamic financial system is among the most contentious topics among scholars (Wilson, 2011). There is a lot of difference between conventional and Islamic banking. Conventional banking involves lending while in Islamic banking it is prohibited supported by (Fang and Zhang, 2016). But on the other hand it can be seen that conventional banking is very old as compared to Islamic banking so it is clear that the marketing of Islamic banking needed to be improved. The research from past two decades in Islamic banking is increased mentioned by (Al Rahahleh et al., 2019). Conventional banks are strengthen of the interest-base system. While on the other hand Islamic banking is interest free institutions stated by (Kahf, 2006). Although interest and profit are apart from each other, but there are misunderstanding by many individuals. Islamic banking and finance has absorbed the world with a strong affection and constraint described by (Shamshad et al., 2018). In Islamic Banking, all the activities are based on Shariah and in line with ethical standards of life. Despite the country's significant Muslim population, the concept of Islamic finance is still in its infancy in India. Notably, India's mainstream financial services sector is expanding at a rate of more than 40% each year presented by (Jain et al., 2013). There are already over 100 Islamic banks in over 35 Muslim and non-Muslim countries confirmed by (Arif et al., 2022). Despite the country's significant Muslim population, the concept of Islamic finance is still in its infancy in India. Power has the potential becoming the world's largest market for Islamic finance, given its rapid growth inside the banking sector and the growing needs of its large black minority showed by (Islam and Rahman, 2017). Finally, despite the country's modest Muslim population, Altaf and Ahmad (2019) have stressed the im-

portance of raising Islamic financial awareness among both Muslim and non-Muslim clients in South Korea. The interest-based system is a stronghold for traditional banks. Islamic banking, from the other hand, is an investment institution explained by (Kahf, 2006). Despite the fact that interest and profit is not the same thing, many people confuse about them rechecked by (Toutounchian, 2007). With a deep attachment and restraint, Islamic finance industry has engulfed the globe. Enthusiasm in banking is increasing in almost 60 nations, not just in Islamic states, but also in several borrowing global financial hubs (Shamshad et al., 2018).

1.1 Problem Identification

There is lack of awareness and knowledge about Islamic banking, services and products in consumer's mind. The attitude and behavior of consumers towards Islamic banking is not constructive as conventional banking. If researcher compare conventional banking with Islamic banking then it is clear that the marketing strategy of Islamic banking is lagging behind. People may consider Islamic banking as conventional banking and it is misconception which can be minimized through awareness campaigns. It is normally observed that abroad people do have better understanding, knowledge and awareness towards Islamic banking although researchers have not positioned Islamic banking in the mind of the customer. Researchers often prefer conventional banking than on Islamic banking due to strong concept in mind the people. People still do not trust over Islamic banking because here Conventional banking builds its reputable value. Researchers of this study observe that conventional banks are more in number than Islamic banks in Pakistan proved by (Islam and Rahman, 2017). The government institutes prefer conventional banking rather than Islamic banking. The affliction of government departments is higher in number than Islamic banking. If government may not prefer Islamic banking in Islamic country then there are minimum chances to changing the mind of the people of Pakistan. This study based on may be helpful for all those people who want to adopt Islamic banking. This study covers all the aspects of vicinity to enhance awareness in the mind of consumers. This research explains all the way in which a consumer may think before adopting Islamic banking. This brief study will clear all the misconceptions in the mind of the consumer and with clear perceptions. The consumer may able to understand all the factors which may not considerable as they should (Fahami et al., 2019). Islamic banking is increasing not only in Islamic countries but it also has a good image in non-Muslim countries. But there are some difficulties that an Islamic banking is facing. It has been seen that the knowledge is not sufficient about Islamic banking which results in misconception. Also researchers can say that there is a lack of awareness of Islamic Banking. People consider Islamic banking as same as conventional banking because of lack of knowledge. This study shows the effect of knowledge, awareness and religious belief on consumer's perception towards Islamic banking.

1.2 Research Questions

- What is the impact of knowledge, awareness and religious belief on consumer's perception towards Islamic banking?

1.3 Research Objectives

- To evaluate consumer's perception towards Islamic banking, services and products.

1.4 Significance of Study

Islamic finance is a field that has received gradually growing attention since 1990's. The main focus for Islamic finance theorists was the banking area and the concept of Islamic banking was developed. The significance of Islamic banking is to raise capital from Muslim countries for the Muslim communities to deliver potential charging and paying Riba, which is strongly forbidden in Islam. The Islamic banking industry is also playing a constructive role in the economic growth of Pakistan. The financial achievement of the Islamic banking industry has a positive effect on economic growth due to attracting banking consumers on the basis of religion. The interaction with depositors is one of the most significant elements that create the foundation for the development of Islamic banks. As a result, if a bank wants to acquire cash from investors, it will try to outperform other banks in the Islamic banking market. This will result in a significant return on investment for investors, which is improbable in traditional banking, which has a fixed interest rate with its depositors. Furthermore, Islamic banks remove barriers between savers and investors, bringing them closer to the real market.

The Shariah law strongly condemns unfair and unethical investment. Islamic banking and finance are based upon profit/loss sharing compliances. According to the principles, profit and loss are shared among consumers and banks according to their investments. The most important significance of Islamic banking is to obtain capital growth based on legitimate trade in which money is used to buy and sell real goods and provide services. According to Islamic studies, risk should involve in trading, here profit and loss are divided between both parties including the capital provider and expertise provider. The same profit sharing is based on risk and profit will be shared with the bank and customer. Shariah prescribes that parties are entitled to share their profit if they agree to bear risk. This shows fairness and justice in the field of trade. The scope of this study is to identify the consumer's perception by discussing the advantages and disadvantages of Islamic banking and comparing it with conventional banking. The scope of Islamic banking in Pakistan is becoming increased since the last decade.

Islamic Banking introduces new policies and strategies, which brought fast economic growth. After considering this research potential individuals will know the difference between Islamic Banking and conventional banking, and how Islamic banking facilitates every individual as per the teachings of Islam. Islamic banking is the adoption of Sharia compliance, which is the teaching of Islam and the best way to increase wealth without un-Islamic conditions. Awareness of potential individuals is necessary within country because it increases the trust and attention of Muslims towards Islamic banking which lead to economic growth.

2 Literature Review

2.1 Islamic Banking

The word "Islamic Banking" refers to the practice of banking in accordance with Islamic beliefs. The prohibition of interest (Riba) in all forms of transactions including business and trade activities, based on fair and lawful profit and loss sharing, is one of the core concepts of Islamic banking stated by (Zainal Abidin and Haseeb, 2018). The mitghamr savings bank, established in Egypt in 1963, was the first modern experiment with Islamic banking. Islamic banking improves the potential level of the country, by offering different intermediate offerings and impartial solutions as compared with conventional banking practices. Islamic banking is considered worldwide and acceptable by both Islamic and non-Islamic countries showed by

(Osipov et al., 2018). Islamic banks (IBs) have witnessed fast growth in recent years because more demand from potential individual, who are sensitive toward religion and prefer those banks which are based on shariah summarized by (Ashraf and Zheng, 2015). All income should be commensurate with work effort and money does not create a surplus value by itself as interest income is haram in Islam (Presley and Sessions, 1994).

2.2 Innovation Diffusion Theory

The connection between adoption of Islamic banking and consumer perception can be better understood with the help of theory of innovation diffusion by (Rogers and Siklos, 2003). The theory of innovation diffusion suggests how, why and to what extent new technologies and ideas can be expanded. Rogers and Siklos (2003) declared that diffusion is the process in which innovation of anything is communicated between all individuals who are part of the social system. This research broadens the connection with the theory of innovation diffusion by stating that, this study tries to hit the research gap with the Pakistan context. The core purpose of this study is to clarify Islamic banking services and products needed by consumers. The basic need is to broaden the Islamic banking services in the minds of consumers. This study is to examine the perceptions of consumers towards Islamic banking in terms of adoption. While adopting Islamic banking, identify consumer needs and tries to fill the difference gap. After that, Islamic banking managers need to update or innovate the implications to build a positive impact. Managers of Islamic banking should prioritize and allocate resources for the improvement of the services by identifying the basic requirements and demands of the consumers. Managers should be able to innovate services by spreading or communicating awareness and knowledge within the social system by using strong marketing strategies. Managers should also go with the religious perspective to grab consumer's minds emotionally. Managers need to grab the mental approach of the consumer (Echchabi and Aziz, 2012).

2.3 Principles of Islamic Banking

Islamic banking is a system that adheres to the following four principles:

2.3.1 Risk-Sharing

Financial transaction conditions must represent a symmetrical risk/return distribution across all transaction participants.

2.3.2 Materiality

It must be directly related to a real underlying financial transaction.

2.3.3 No exploitation

Neither side should be exploited in the transaction.

2.3.4 No Financing of Sinful Activities

The transactions involved in unethical products are prohibited by the Holy Quran such as alcohol, tobacco etc. Above mentioned principles are those factors, which differentiate Islamic banking system from the conventional banking system. Islamic studies facilitate every individual either Bank, investor or entrepreneur. Risk sharing among all participants is adhered, for

justice. Similarly, the risk-sharing characteristic enables Islamic banks to lend for longer periods of time, resulting in stronger risk-reward profiles and promoting overall economic growth demonstrated by (Alaro and Hakeem, 2011). Every element of a Muslim's religious practices, daily life, and economic activity is governed by Shariah. Riba is forbidden for Muslims. What constituted Riba, on the other hand, is a point of contention among the Muslim world. Some people consider Riba to be usury or have an abnormally high rate of interest. However, most Islam scholars consider Riba to be interest or any or before return on a loan. The reason for Islam's ban on Riba may be traced back to a prevalent medieval Arabic practice known as Riba. The Mudarabah (profit-sharing) and Musharakah (joint venture) are the most common theoretical Islamic financial institutions models explained by (Dar and Presley, 2000). A bank with an entrepreneur collaborates to provide financing and operate a firm in Musharakah. Any project profit or loss is distributed in a prescribed way, whereas in Mudarabah, a bank offers all of the money required to fund a venture. Customer expertise, leadership, and labor are provided by the customer. Profits from either project are divided on a pre-determined (fixed ratio) basis by both partners, while losses are carried entirely by the bank.

2.4 Adoption of Islamic Banking

The term "Islamic Banking" is defined as the conduct of banking operations in consonance with Islamic teachings shown by (Jameel, 2017). Pakistan is a Muslim nation, with monotheistic Muslims accounting for 95% of the populace. The reduced rate of Islamic financial institutions implementation in Pakistan is the aim of this study. Islamic banks (IB) have been able to gain high demand in non-Muslim nations despite their inherent attractiveness to Muslims. Now Islamic banking is considered profitable not a threat. Non-Muslim consumers are also requesting Islamic banking services to obtain diversifying benefits and to transfer their assets to Islamic banks owing to its strict and prudential capital requirements posted by (Hesse et al., 2008). Religion plays a vital role in the adoption of Islamic banking because some people about not adoption of shariah compliance that Islamic banking is not worth. Now the main focus of Islamic Banking is to replicate conventional products by introducing Shariah Principles due to a shortage of investment opportunities. Customers' willingness to embrace Islamic banking is influenced by a number of factors. Although there is a wealth of literature on this topic, the focus of this study is on religion, awareness, networking, and reputation as they relate to Islamic Banking and reputation in terms of significance toward Islamic banking. Mudarabah is the most popular Project finance strategy, accounting for more than 24% of overall Cash waqf by the State Bank of Pakistan in 2016. It is closely investigated due to its resemblance to mainstream investment financing strategies (Sairally, 2002).

2.5 Three Dimensions of Adoption of Islamic Banking

2.5.1 Knowledge

Following the 1970s, a number of Islamic banks began to operate in a number of Muslim nations including Egypt, the United Arab Emirates and Kuwait pointed by (Riaz, 2016). Outside of the Middle East, this successful wave of Islamic banking spread to Muslim and non-Muslim countries investigated by (Rudnycky, 2013). The late 1980s were a pivotal period in the development of a large number of Islamic banks. Al-Meezan financial institution was Pakistan's first Islamic bank which got a license from the Pakistani government and commenced operations under the name "Meezan Islamic Bank" in January 2002. In Pakistan, there are now 6

full-fledged banks and 17 ordinary banks in operation. Out of 1168 full fledged branches, 814 branches have Islamic windows. During the 2020 fiscal year, Pakistan recorded a 30% growth in Islamic banking assets. Murabahah, Ijarah, Musharakah, Bai Salam and Istisna are the modes of Islamic financing prevailing in the banking industry mentioned (Majeed and Zainab, 2017). Better knowledge and awareness can sustain the legitimacy and growth or development of Islamic banking in Pakistan. Facilitating the comprehension of Islamic services and products is to be provided, and it will be easier to compare them to similar and worst competitor conventional items for the consumer. This looks necessary in an increasingly competitive financial services sector. It stated that from the study Islamic banking in Pakistan is increasing day by day at a rapid rate. This is the cause of three major factors which play a vital role and prove to add something to the development and profitability of Islamic banks. Among these factors, the religious factor is more consumable and considerable because this factor is very sensitive in terms of religion. People do not compromise on religion in any way. Islamic banking is based upon trading and sharing of loss/profit. It works upon the principles of Shariah whereas it opposes lending and investing in unethical business activities. Profit and loss sharing (PLS) comes close to replacing interest as a means of resource allocation (Majeed and Zainab, 2017).

However, people are adopting Islamic banking and finance due to shariah compliant and law nature which helps people to prevent form Riba, also people aren't want to go to war against Allah and his Prophet (SWT). This is also been happened with other factors as well which include social, economic, and psychological factors that pay a high contribution to it. This differentiation not only on the bases of Interest (Riba) and also, it's on the profit-loss sharing complaint which should have been created at a very specific and huge contribution of Islamic features. Public acknowledgment of Islamic banking practices should be built at a high level by adopting different perspectives and coherence between the functionality of Islamic banking and shariah compliance should build for the development of the Islamic banking and finance industry (Fang and Zhang, 2016).

2.5.2 Awareness

Insufficient information regarding Islamic banking products and services is determining the importance of factors affecting the low share of Islamic banks presented by (Adnan et al., 2011). According to Wahyuni (2012), Muslim umma with better knowledge has a greater intention to use Islamic banking. Majeed and Zainab (2017) proved that people have positive behavior and attitude with better awareness towards Islamic banks in Pakistan. Commercial banks are able to invest a significant amount of money in advertising in order to gain a competitive advantage, despite the risks associated with it pointed out by studies. Awareness of Islamic products and services is a key factor in deciding whether or not to use Islamic banking. The results showed the relationship between several factors such as awareness, bank reputation and social influence on customer intention to adopt Islamic Banking services. Conversely, Awareness is such a factor that positively affects the attitude and behavior of customers to adopt Islamic banking services.

2.5.3 Religious Belief

It has been claimed that religiosity is closely linked to particular characteristics or orientations of customer behavior. There has been an increase in the number of studies on religious views on consumer habits, notably in the Commercial bank setting commented by McDaniel and Burnett (1990). The elements of religion are conceived by persons from the heart, the vibrating of overall feelings or actions, and moral beliefs. According to several pieces of research, religion is an essential element in choosing a banking system. A religion, according to religious

beliefs, encompasses a wide range of actions, not just for worship but also for other pursuits that are aided by superstition. The amount of information and judgment of a person's spirituality, on the other hand, may be measured depending on the religion acknowledged. To put it another way, religiosity refers to one's level of belief in religious views and their application in daily life. The goal of this study is to find out how Muslim religiosity influences customer attitudes and views of Islam. [Metawa and Almossawi \(1998\)](#) noted that choosing banks is largely based on religious sentiments, with the rules or precepts of Islam serving as an important indicator. During the last few years, the marketplace for Islamic financial services has exploded. The majority of consumers have chosen Islamic banking because of religious contract terms, however, there are numerous additional considerations that drive people to use Banking institutions, such as described system. As a result, it's fair for academics to include religion as one of the major factors in deciding whether to use Internet finance or traditional banking. Though many pieces of research have revealed the impact of religious considerations on the adoption or selection of Islamic financial institutions, other investigations have yielded contradictory results by ([Haron et al., 1994](#)). Only 38.7% of respondents said that religious beliefs are the primary reason for using Islamic banks. This indicates that the majority of people who use Islamic banks do so for moral beliefs.

2.6 Consumers Perception towards Islamic Banking

Although religion is important to consumers, the survey found that other factors such as costs, service quality, and bank reputation are also taken into account when choosing a bank. Banker's perceptions of Islamic products and services in Oman were investigated by ([Abduh et al., 2011](#)). Islamic banking has seen a significant rise in Pakistan in recent years. The rising number of Islamic convenience stores and the extent of their branches indicate that the Islamic banking enterprise is expanding and fulfilling its goals. This rise is due to measures done by the State Bank of Pakistan (SBP) to build a separate Islamic banking department in order to make it more appealing to investors. [Gait and Worthington \(2008\)](#) performed a study to assess consumer attitudes, skills, and perceptions of Islamic financing from the perspectives of individuals, businesses, and investment firms. [Awan et al. \(2010\)](#) described a descriptive method to look at the basic variables that influence Islamic banking's popularity in Malaysia. The final result revealed that ethnic and religious variables had little influence on the decision to use Commercial banks.

[Radiah \(1993\)](#) investigating the dominant culture and market implications of Islamic banking, looked into the dominant culture and market implications of Islamic banking. According to the author, there are two types of Muslim clientele in Malaysia first form of customers have been spiritual, and the most effective used Islamic banks because of their sturdy spiritual belief compared to every other detail, and 2nd sort of customers have been slight. Relating to the existing research on views of Conventional banks, [Akbar et al. \(2012\)](#) investigated whether the banking sector in the United Kingdom is entirely compatible with the philosophical underpinning of Islamic financial institutions that emphasizes earning and loss criteria. The writers' general trend is that Islamic banking in the United Kingdom does not correspond to the logical context of Common finance. Islamic banking remains strong in Pakistan, according to numerous other writers, including [Arif and Tuhin \(2013\)](#), and there are positive environmental qualities for banks to develop. The banking system is becoming more innovative, according to the creator, and new device ideas might assist to extend the compartments. Despite the reality that prior research has looked at performance, desire criteria, and motivational variables, Efficiency is the first to look upon effectiveness. The goal of choosing students is to ensure that they all have

a theoretical understanding of the Islamic finance industry, while the knowledge and experience of banking professionals in everyday banking operations may give further insights into the phenomenon the of the Islamic finance industry in Pakistan.

2.7 Theoretical Framework

2.7.1 Model

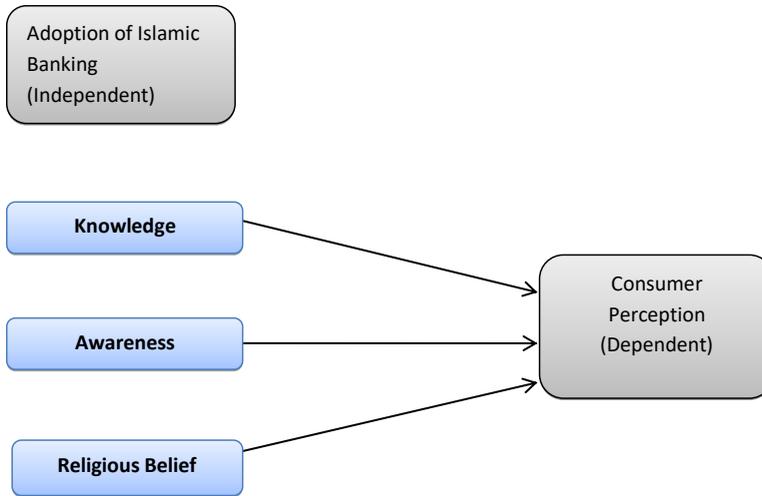


Figure 1: Source: Authors' Compilation

2.8 Hypothesis Statements

- H_1 *In Pakistan, customers' perceptions of Islamic financial products are influenced by knowledge.*
- H_2 *In Pakistan, customers' perceptions of Islamic financing products and services are influenced by awareness.*
- H_3 *Purchase intentions of Islamic financial services and goods are influenced by religion.*

3 Research Methodology

3.1 Research Design

Every research is designed on the basis of quantitative data and qualitative data which determine the structure plan and strategies of research, whereas this research is based on primary data collection which means a quantitative approach has been followed. This blue print research constitutes three stages:

- Collection of data
- Measurement of data

- Analysis of data

3.2 Variables of Study

There are two kinds of variables in this study, the first variable of this study is the dependent variable and the other variable is the independent variable. The adoption of Islamic Banking variable is used as the independent variable and consumer perceptions are used as the dependent variable in this study. Awareness, knowledge and religious beliefs are the major dimensions of the independent variables. Consumer perceptions are totally based on Islamic banking.

3.3 Type of Investigation

The explanatory or causal type is used in this study, as this study explains the perceptions of consumers towards the adoption of Islamic banking and its services between the variables. The majority of the researchers who have already conducted research on this literature has been used the questionnaire technique to collect the data. Therefore, this study also collects data through a questionnaire.

3.4 Research Instrument

The main instrument of this research is the questionnaire, which is divided into three major sections. This questionnaire was adopted from the study by [Rehman and Shoaib \(2014\)](#), and Likert scale has been used to collect responses in this study. The first section of the questionnaire is the demographic section. In demographics, the questions are about age, gender and qualification. The second section of the questionnaire is about the adoption of Islamic banking with its dimensions which are knowledge, awareness, and religious belief. In the last section, the questionnaire has been based on the perceptions of consumers towards Islamic banking.

3.5 Sampling Techniques

Basically, sampling term refers that the process of choosing/selecting the sample from the population. In case of quantitative research, sampling techniques are divided into two types:

3.5.1 Non-Probability Sampling

The term non-probability sampling refers that it is the method in which the researchers choose data based on the subjective judgment of the researchers. It depends on the expertise of the researchers; and more closely to the researcher's behavior, it is carried out by observations and judgments and experiments by the researchers.

3.5.2 Probability Sampling

The probability sampling is basically utilized to filter out people from the population and then develop samples. The sample includes people and this should be selected randomly. The targeted audience has having same opportunities to be selected in a simple. In this study, the probability sampling is to be used.

3.6 Population

According to [Adnan et al. \(2011\)](#), population refers to the whole group of individuals, events, or things of interest that the researcher wishes to research. The population for this research is the customers of the conventional banks as well Islamic banks. Mostly this questionnaire shared with those people whose are having enough knowledge regarding Islamic banking. But some of them opted it and some of aren't. These results states that behavior and knowledge regarding Islamic banking. Basically researcher targeted audience to check their mind set and awareness about Islamic financing products and services. Researcher request them to fill this questionnaire.

3.7 Sample Size

[Fang and Zhang \(2016\)](#) suggested that sample size should be more than 150+ questionnaire is the enough size to evaluate the data more clearly and accurately. Sample size of more than 150, up to 250 is the population of the study. Some of test are being applied over the sample. With the help of 5 above given test, analyze the data more specifically and generation of result are well detailed and in-depth in the given whole population.

3.8 Data Analysis

Data is collected from the questionnaires and then SPSS (Statistical Package for Social Science) software will be used for the analysis. This study will used Quantitative technique for data analysis. Here researcher will perform the following analysis:

3.8.1 Descriptive Analysis

The objective of the descriptive statistics is to describe the number of components of data that include in the research. The major aim of descriptive statistics is to give a short summary of the samples and the measures done on specific research. Descriptive statistics represent an important element of almost every quantitative data analysis.

3.8.2 Reliability Analysis

Reliability analysis make use to build the stability and consistency of the research tool. The consistency clarifies that how efficiently research tool evaluate the conceptual framework and model. Alpha (Cronbach) is a coefficient which shows that how efficiently the things in a position are positively correlated to each other. The test to be consider valid if same outcomes receive again and again. Alpha (Cronbach) is calculated in terms of the mean inter-correlation of the elements to measure the approach. Alpha (Cronbach) is closer to 1 the larger the reliability of the internal consistency of the research tool ([Arif and Tuhin, 2013](#)).

3.8.3 Correlation Analysis

The correlation analysis is a statistical technique that measures the relationship between two or more variables. In the research, the correlation analysis make use to analyze primary quantitative data research in order to determine if any significant relationship, trends or patterns.

3.8.4 Regression Analysis

The regression analysis is a quantitative method that analyzes various variables, and analyzes the association between dependent variables and independent variables. The regression analysis is generally utilized to analyze data. Most of the study analysts utilize it to recognize the association between variables that is used to see the accurate results.

4 Findings & Results

4.1 Demographic Analysis

Table 4.1: Gender Groups

		Frequency	Percent
Valid	Female	110	35.9
	Male	184	60.1
	Prefer not to say	12	3.9
	Total	306	100.0

It divides the gender of respondents into three categories male, female and preferred not to say. The total number of males is 184 making it 60.1% of the respondents, the number of females is 110 making it 35.9% of the respondents and the number of people who prefer not to say is 12 making it 3.9%. The results show that a large number of respondents are male.

Table 4.2: Age Groups

		Frequency	Percent
Valid	18-30	181	59.2
	31-42	98	32.0
	43-60	24	7.8
	60+	3	1.0
	Total	306	100.0

Table 2 represents the age of respondents, which are separated into four age groups. The 18-to-30-year-old age group it presents a major part of the sample containing 59.2% of the total respondents. The age group 31-42 presents the part of the sample containing 32.0% of the total sample. The age group 43-60, presents the portion of the sample having 7.8% of the total sample. The age group 60+ presents the part of the sample having 1.0% of the total sample. So this table displays the large number of respondents fall in the age of 18 to 30.

Table 3 shows the education level of our respondents divided into four categories. People with bachelor’s degree make a major number of respondents that is 39.2%. People with master’s

Table 4.3: Educational Qualification Group

		Frequency	Percent
Valid	Matriculation (Equivalent to O levels)	3	1.0
	Intermediate (Equivalent to A levels)	25	8.2
	Graduation (Equivalent to 14 years of education)	120	39.2
	Masters (Equivalent to 16 years of education)	113	36.9
	M. Phil (Equivalent to 18 years of education)	38	12.4
	PhD	7	2.3
	Total	306	100.0

degree have a second largest number of respondents that is 36.9%. The people of intermediate have the third largest number of respondents that is 8.2%. The least number of respondents are matric that is 1.0% and PhD that is only 2.3%. So this table shows that the large number of respondents fall in the bachelor's degree.

Table 4.4: Religious Level

		Frequency	Percent
Valid	Very Religious	59	19.3
	Religious	160	52.3
	Moderate	62	20.3
	Less Religious	16	5.2
	Very less Religious	9	2.9
	Total	306	100.0

This table shows the religious level of respondents. The large number of respondents belongs to Religious level having 52.3%. The second larger number of respondents belong moderate level having 20.3%, the third larger number of respondents belong to very religious level having 19.3%. The least number of respondents belongs to less religious and very less religious level having 5.2% and 2.9% respectively.

The above table shows the educational qualifications of males and females. The total number of females having graduation (14 years of education) are 49. The total number of females who responded having masters (16 years of education) are 40. The number of females having M.Phil. (18 years of education) are 12 and the total numbers of females having intermediate are 9. The total number of males who responded having masters (16 years of education) are 69. The total number of males having graduation (14 years of education) are 68. The number of males having MPhil are 23. The number of males having intermediate (12 years of education) are 14. The total number of males having PhD are 7 and the number of males having matriculation are 3. From the above table, it is concluded that the highest number of respondents are graduated means

Table 4.5: Cross Tabulation between Genders & Educational Qualifications

	Matriculation (Equivalent to O levels)	Intermediate (Equivalent to A levels)	Graduation (Equivalent to 14 years of education)	Masters (Equivalent to 16 years of education)	M.Phil. (Equivalent to 18 years of education)	PhD	Total
GenderFemale	0	9	49	40	12	0	110
Male	3	14	68	69	23	7	184
Prefer not to say	0	2	3	4	3	0	12
Total	3	25	120	113	38	7	306

having 14 years of education.

4.2 Descriptive Analysis

Table 4.6: Descriptive Analysis

	N	Mean	Std. Deviation
IB	306	37.1438	7.7145
CP	306	19.2026	4.5798
Valid N (listwise)	306		

It shows the mean value and standard deviation of all variables. The mean values of Islamic banking and Consumer perception are 37.1438 and 19.2026 respectively. The mean value of Islamic banking is highest.

4.3 Reliability Analysis

Table 4.7: Reliability Analysis

Variable/Dimension	No of items	Reliability
Islamic banking	12	.839
Consumer perception	6	.829
Valid N (listwise)	306	

The above table displays the reliability analysis of all the variables. The reliability of Islamic banking has the highest reliability being 0.839 than the other variable. However, the reliability

of Consumer perception is .829. However they are much above the minimum criteria for a scale to be considered reliable, which is 0.7.

4.4 Correlation Analysis

Table 4.8: Correlation Analysis

		IB	CP
IB	Pearson Correlation	1	.497**
	Sig. (2-tailed)		<.001
	N	306	306
CP	Pearson Correlation	.497**	1
	Sig. (2-tailed)	<.001	
	N	306	306

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

The above table displays the correlations between the variables which displays that Islamic banking has a low positive relationship with consumer perception.

4.5 Regression Analysis

In order to test the hypothesis, linear regression statistical method has been used. The test statistic has yielded the following results:

Table 4.9: Regression Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.497 ^a	.247	.244	3.9816

Note. Predictors: IB(Constant), Dependent Variable: CP

Table 4.10: ANOVA^a

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	1578.081	1	1578.081	99.544	<.001 ^b
Residual	4819.357	304	15.853		
Total	6397.438	305			

Note. Dependent Variable: CP, Predictors: (Constant), IB

The above table exhibits the analysis of variance, generally known as ANOVA. It is used to explain the goodness of fit of the model. Fitness of the model enhances with increased F value. The higher the F value is the greater is the fitness of model. ANOVA also explains where the model is significant or insignificant, in this case, the model is significant at .001b.

Table 4.11: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
1 (Constant)	8.251	1.121		7.360	<.001
IB	.295	.030	.497	9.977	<.001

Note. Dependent Variable: CP

The above table shows the relationship between Islamic banking and consumer perception. As beta β is 0.497, it concludes there is a positive relationship between Islamic banking and consumer perception.

5 Discussion

The first hypothesis of the study tells that in Pakistan, customers' perceptions of Islamic financial products are influenced by knowledge. The results of the study support this, that if there is an increase in the knowledge about Islamic banking then the impact on consumer perceptions will be higher. Maximum consumers have less knowledge about Islamic banking so that's why they don't know much about Islamic banking products properly and do not invest or take an interest in Islamic banking. The second hypothesis of the study tells that In Pakistan, customers' perceptions of Islamic financing products and services are influenced by awareness and the results of the study also support this, awareness is directly related to consumer perceptions. The maximum consumers have less knowledge and awareness about Islamic banking because of the absence of marketing strategies and advertisements. [Arif and Tuhin \(2013\)](#) studied the perception of consumers on Islamic finance and the results reveal that to improve the knowledge and awareness among the population Islamic banks should have to make good strategies and marketing to appeal to consumers. The third hypothesis of the study tells that the Purchase intentions of Islamic financial services and goods are influenced by religion. The study supports this argument and shows that religious beliefs are also directly related to consumer perceptions toward Islamic banking and finance. For this have to mosque visits and conferences and be clear about them the Islamic banking products and services.

6 Conclusion & Recommendations

The objective of the study is to investigate the impact of the adoption of Islamic banking on consumer perceptions. In this research, there are two variables as adoption of Islamic banking and consumer perceptions. The adoption of Islamic banking is the independent variable and the consumer's perception is the dependent variable. The adoption of Islamic banking has three dimensions knowledge, awareness, and religious beliefs. After collecting the responses from

306 respondents, descriptive statistics, reliability, correlation, and regression analysis are used for hypothesis testing by using SPSS software. It is concluded that knowledge, awareness and religious beliefs affect the consumer's perceptions. The results of this research tell that Islamic banking has a positive significant effect on consumer perceptions. Also, conclude that Islamic banking has a low positive relationship with consumer perceptions. Moreover, awareness and religious beliefs are directly related to consumer perceptions. It means that if there is an increase in knowledge and awareness about Islamic banking then the impact on consumer perceptions will be higher. This research concludes that the maximum consumers have less knowledge and awareness about Islamic banking because of the absence of marketing strategies and advertisements. The religious factor is also one of the important factors which have a great effect on consumer perception towards Islamic banking. The questionnaire filled by the 306 respondents revealed that there is an absence of knowledge and awareness about Islamic banking.

The study suggests that knowledge and awareness play a vital role in consumers' perceptions. It would be best to focus on marketing strategies and advertisements in order to increase the adoption rate of consumers towards Islamic banking. It simply means that the more knowledge and awareness about Islamic banking, there will be higher the positive impact on consumer perceptions. As the research shows that there is a positive relationship between Islamic banking and consumer perceptions. So the researchers would like to suggest that Islamic banking should use social media platforms in order to encourage consumers to the adoption of Islamic banking. As this research is totally based on the adoption of Islamic banking, therefore other emerging economies may also get benefit from this research. So, the findings of the investigation can be referred to other countries whose economies are emerging. It will help consumers to understand the working of Islamic Banking and also help investors to participate in Islamic banking activities. It will be also beneficial for governing bodies like State Bank of Pakistan to improve Islamic banking products and services, which makes it more attractive to consumers. This research study is based on a questionnaire. There are 306 respondents to the questionnaire by using only two variables with three dimensions i.e. knowledge, awareness and religious beliefs. This research is limited to Pakistan only, so further research could be done in others countries like Malaysia, Iran, Egypt and other Muslim countries as well. By adding more mechanisms of Islamic banking like tangibility, reliability, responsiveness and assurance with more variables like faith, intention and culture.

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Appendix

Normality Of Data

From the diagrams given below, it is concluded that the data is normal in the both variables.

