European Journal of Business and Management
ISSN 2222-1905 (Paper) ISSN 2222-2839 (Online)
Vol.7, No.12, 2015

Creating Stakeholders' Value through Islamic Ethical Dimension: A Study of Islamic Banking Vs Conventional Banking

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Abstract
The purpose of this paper is to examine stakeholders' values in Islamic banking by comparing Islamic and conventional banking's ethical practices in the Middle East region. The study is targeted to different groups of stakeholders of Islamic and non-Islamic banks of the Middle East region through a survey questionnaire. The stakeholder group consists of the groups of customer, depositors, employees, branch managers, regulators, Sharia'h advisors who are directly or indirectly associated or can affect or affected with Islamic banking ethical principles and practices. The data analysis is based on content analysis from the past studies and statistical tools, mean, ranks, Kruskall-Wallis test of statistic, regression for testing of hypothesis and model building. The findings of the study reflect the efficiency of Islamic banking over conventional banking and future scope & importance of ethical practices of Islamic banking worldwide. Middle East is the center of Islamic banking with a contribution of 3/4 of the total volume with the rest of the world. The topic of research is pertaining to Islamic ethical banking and its relevance for those involved in Islamic banking and finance regarding Islamic ethics and values. As an Islamic banking principles are based on divine revelation following Sharia'h principles of the Qur'an and Sunnah tradition is more concerned with well-beings through creating non-economic (non-monetary) values, mutual trust, sharing of profit & risks, fairness and social justice, than economic (monetary) values in terms of interest. The paper is supposed to be a further extension of the past studies and to find out contemporary trends in Islamic banking in further development over conventional banking especially gulf region of the Middle East.
Keywords: Islamic banks, Conventional banks, Ethics, Stakeholders, Sharia'h, Qur'an, Sunnah, Fiqah.

1. Introduction

In a capitalist system banks are dealers of money and interest is a reward for them. So the basic source of revenue for non-Islamic banks' is interest through deposits and lending of money respectively. Interests are major drivers of operation in conventional banking and other instruments are as guarantee, transfer of funds, providing safety to wealth, international trading etc. Capitalism is unacceptable in Islamic banking as it established under the principles of Islamic laws governed by Sharia'h and also critically examined in detail due to the magnitude and general acceptability over all the leading societies in the world.

The basic difference between Islamic and conventional banks is that all Islamic Banks follow Sharia'h principles regarding its products and services for stakeholders. All types of deposits, Current, Savings & term Deposits and Loans & Advances may have some similarly priced by both types of banks. Islamic banks' products and services will be based upon the Islamic structure of Financing like *Mudaraba, Murabaha, Musharaka, Al-Wakala, Al-Kafleah, Al-Bai Bithaman, Quard Hasam, Wadiah, Ijara, Ijara-WA-Iktina.* The Islamic modes of financing eliminated *Riba* and *Ghahar* from its product and services and these are based on an asset or a commodity is rather based on interest borrowing or lending in non-Islamic banks. To comply with Sharia'h principles, Islamic banks, appoint Sharia'h Supervisory Board (SSB) consisting of Sharia'h experts in *Fiqh-UL-Muamlat* familiar with banking products and services.

The products and services offered by Islamic Banks to its stakeholders are according to Sharia'h Law and should be approved by the Sharia'h Supervisory Board (SSB) of the respective Islamic banks. Conventional and Non-Islamic banks are only permitted to open Islamic windows with the condition that operations and funding of Islamic banking will be taking place separately from the respective parent bank. The Islamic window under conventional banks is expected to comply with Sharia'h principles by appointing Sharia'h Board separately for the purpose of compliance and Internal audit. The fund of the Islamic form of the nature from depositors will be used separately by the parent bank and vice versa. On the other hand Islamic banks are not allowed to offer conventional banking windows regarding *Halal & Haram* funds at all concerns.

1.1 Concept of Islamic and Conventional Banking

It is evident that conventional banking has an interest based system while Islamic banks have an interest free system and follow Sharia'h principles. Islamic banks share profit and loss with its stakeholders and sometimes they also share their services with business intermediaries (Arif, 1988). This represents Islamic banks are unique from conventional banks as it transfers any ownership rights to customers. The Sharia'h based principles and practices of Islamic financial system is creating financial atmosphere between partners, intermediaries, lenders and borrowers (Yudistira, 2003).

Islamic banks compared with Conventional banks seek the equitable distribution of resources**.** Islamic *Fiqah* governs ensures that all operations of Islamic banking are in the circle of Islamic Law and Sharia'h (Siddique, 1985). Under Islamic banks, there are four rules that govern the investment behavior of stakeholders:

a. Prohibition of *riba* (usury or interest or unjust contracts that involve risk or conjecture are unforeseeable) transactions.
b. *A*void speculative transactions (*Gharar*)
c. Involvement of Islamic taxation system *(Zakat)*
d. Prohibition of the production of those products and services which are prohibited (Haram) by Islamic Sharia'h Law.

The Islamic banking system follows the principles of Holy Qur'an and restricts to gathering utmost income on financial assets. Principles of Islamic law are created by Sharia'h and dealing of Islamic banking is governed by *Sharia'h and Fiqah.* Fundamentally, an Islamic banking system can be illustrated as a fair and a complimentary arrangement whereas fairness is its major objectives. It also restricts the freedom to enter into any type of business transactions, but the freedom of entering into such contract doesn't mean to enter in any such transactions that comes under *Riba and Gharar*. Islamic Banks have a strong association with its stakeholders and the funds of stakeholders is as a source of productive Islamic financing while conventional banking is a simple example of lending and borrowing of funds. Both conventional and Islamic banking systems have huge differences in authority configuration also as Islamic banks have to pursue a diverse set of regulations stated by the Holy Qur'an, to follow Islamic as financing modes (Suleiman, 2001). Islamic banks are similar to those of conventional banks that equally propose similar financial services to their stakeholders and other customers in a social responsible manner. *It is to be noted that Sharia'h is Islamic religious law based on principles of Holy Qur'an. Fiqah is Islamic jurisprudete of religious law interdependent on Sharia'h law and Sunna is concerning to the practices of Prophet Muhammad and his companions known as the second source Islamic law.*

2. Islamic Financial Products and Services

MUSHARAKA: it is a type of equity financing and also a form of partnership for particular business activity. In this financing, the lender also participates in the management and share the profit on agreed terms & conditions, but not in same proportion as financing took place but bear the loss in the same proportion as financing.
MODARABA: it is an agreement between a lender and entrepreneur. The lender finances the entrepreneur's project on a profit-sharing basis as per predetermined ratio and the loss is bearable by the lender only.
MURBAHAH: it is a contract of sale of goods between parties that covers the purchase price plus a profit margin on agreed terms & conditions. This is a sale and purchase agreement in which lender buys the goods wanted by the borrower at normal price and resale to the borrower at a higher price.
AL-BAI BITHAMAN AJIL: it has some similarities with *Murabahah*, in which borrower is allowed to defer settlement of the payment for the goods purchased within the period on predetermined terms and conditions.
QARD HASAN: it is known as "benevolent loan" which obliges the borrower to repay the principal sum borrowed on maturity. In this the borrower has the right to decide to pay any amount above the amount of the loan as a reward to the lender.
AL-WAKALAH: it is an agreement in which the stakeholders/customers appoint the bank as an undertaking agent in specific transactions.
AL-KAFALAH: With this the bank may agree to fulfill an obligation of a customer/stakeholder to a third party.
WADIAH: it is the deposit of an asset by immovable fixed asset in nature to the third party who is not the owner.

IJARA: It is a type of leasing whereby the owner of an asset rents the assets to an end user for a particular period of time. *Ijara* have two forms, *Ijara* (true lease) with no option of ownership for the lessee and *Ijara-WA-Iktina* (financial lease) where the lessee has the option of eventual ownership.
ISTASNA: It is a type of financing designed for the purpose of manufacture and /or supply useful for infrastructure projects.
BAI MUAJJAL: It is a type of deferred or credit sales used by Islamic financial institutions to customers by supplying of desired commodities.
BAI SALAM: It is a type of sale of contract by which Islamic financial institutions purchase good for spot payment with deferred delivery and particularly fulfill the need of farmers.

Table 1: Islamic and Conventional Banking: Basic Differences

S. No.	Islamic banking	Conventional banking
1.	Ensure social justice and welfare by following Sharia'h Law.	Not Present
2.	Using financial resources in favor of poor society.	Not Present
3.	Investment plans help to reduce the gap between poor and rich in relation to income and wealth.	It is increasing the gap.
4.	Investments more focus on poor society, but physically fit people.	Generally it targets rich people.
5.	Follow Sharia'h principles/Law in production and investment.	Not Present
6.	Interest and usury are avoided for all levels of financial transactions.	Interest and usury are the basis for all levels of financial transactions.
7.	Implementation of Mudharba and Musharka to stimulate income for the poor.	Not Present
8.	Depositors bear the risks and no need to deposit insurance.	Depositors do not bear the risks without insurance and banks are inclined to pay principals with guaranteed interest.
9.	Socially oriented investment in projects.	Such types of projects below fixed level interests are not allowed.
10.	Prevent exploitation of interests.	Try to increase capital.
11.	Islamic banks bear/share the losses of clients after becoming a partner in the business	Do not bear/share client losses.
12.	Absorb endogenous and exogenous shock.	Do not bear any shock as ex-ante commitment.
13.	Committed to welfare oriented financing.	Not any such fixed commitment.
14.	Inter bank transactions are profit and loss sharing basis.	Inter bank transactions are interest based.
15.	Surveillance based on Sharia'h law.	Not Present.
16.	Avoid speculation related financial activities/ transactions.	Follow mainly speculation related financial activities/ transactions.
17.	Bank and client both pay Zakat (tax) for the benefit poor.	Not present.
18.	Basis of financial services is to help the poor and uplift the society.	Maximizing shareholders' value through profit maximization.
19.	Currency transactions to sell or purchase takes place on the basis of spot not future and forward basis.	Used both spot and forward transactions.
20.	Low rate of moral hazard problems as basis of transactions are brotherhood between banks and customers.	High rate of moral hazard problems due to more focus on monetary transactions.

Source: Brown K, Hassan Kabir and Skully M (2007), original source Ahmad & Hassan (2005)

3. Review of Literature

Tai Lawrence (2014) in a study examined the efficiency and performance of 58 publicly listed Islamic and conventional banks in GCC countries for the period of 2003 to 2011. Farhana, et al. (2013) in his study examined cost efficiencies of the selected Islamic & conventional commercial banks for the period of 2006 to 2009 in Malaysia. Data envelopment analysis (DEA) was initially used to investigate the cost efficiency followed by Tobit regression analysis to determine factors influencing the efficiency of Islamic and conventional banks in Malaysia. Fayed (2013) in a study based on Egypt made a comparison over 3 Islamic and 6 conventional banks for the period of 2008-2010. The study measures various financial ratios and indicates that conventional banks are superior over Islamic banks in terms of profitability, liquidity, solvency and credit risk management. Ahmad, Rahman and Rahim (2012) in a study examined the relative efficiency of the Islamic commercial banks (ICBs) and conventional commercial banks (CCBs) in Malaysia from the year 2003 to 2007 over ten commercial banks, out of which eight CCBs and two ISBs are selected using Data envelopment analysis (DEA) to measure the difference in efficiency score of the ICBs and CCBs. Yahya et al. (2012) in a comparative study on the level of efficiency between Islamic and conventional banking systems in Malaysia, measured the efficiency levels of banks in both sectors using Data envelopment analysis (DEA). The result of findings showed that there is no significant difference in the level of efficiency between Islamic banks and conventional banks. Johnes et al. (2012) compared the performance of Islamic and conventional banks located in 19 countries over the period 2004 to 2009 using data envelopment analysis (DEA), The results explain that there are no significant differences in gross efficiency on an average between conventional and Islamic banks. Kamaruddin et al. (2010) in a study investigated the efficiency of selected conventional and Islamic unit trust companies in Malaysia for the period 2002 to 2005 using Data Envelopment Analysis (DEA). Robin (2010) in his study measured and compared Islamic banking efficiency to conventional banking efficiency of three European countries named Germany, Turkey and United Kingdom for the period of 2005 to 2008 using non-parametric method, Data envelopment analysis (DEA). The study reveals that Islamic banks are more efficient than conventional banks, but are beset by lower efficiency. Hassan et al. (2009) in his research base on Middle East evaluated cross country level data taken from 40 banks over the period of 1990 -2005 using DEA non parametric efficiency approach and the findings of the study suggest that there is no significant difference between the overall efficiency of conventional and Islamic banks. Majid et al. (2009) investigated the efficiency of a sample of Islamic and conventional banks in 10 countries for the period 1996–2002 applying an output distance function methodology. The results suggest that identifying and overcoming the factors that cause Islamic banks to have relatively low potential outputs for given input usage levels. Rohani (2008) in a study presented new perspective on performance evaluation of Islamic banking operations in Malaysia, by investigating the cost and profit efficiency of full-fledged Islamic banks and Islamic window operations of domestic and foreign banks using Data Envelopment Analysis (DEA) technique and the findings of the study explore that Islamic banking operators are relatively more efficient at controlling costs than generating profits. Sufian Fadzlan (2007) in his research examined the relative efficiency between the domestic and foreign Islamic banking operation in Malaysia by using Data Envelopment Analysis (DEA) which allows the decomposition of technical efficiency as pure technical and scale efficiency components. The findings of the study suggest that the domestic Islamic banks comparatively more efficient to foreign Islamic banks albeit marginally.

Hassan Kabir M. (2013) in a study investigated customer-centric corporate social responsibility (CSR) in Islamic banks of Bangladesh, Malaysia and Arabian Gulf Region using content analysis by using the annual reports of Islamic banks. Akbar et al. (2012) in a study evaluated user perceptions of Islamic banking practices through an online questionnaire survey and the findings of this study suggest that Islamic banking in the UK is not fully aligned with the paradigm of Islamic finance. Doraisamy et al. (2011) investigated consumers' preferences on Islamic Banking products & services and revealed that consumers are aware of Islamic banking products & services to a certain degree and the reasons for preferring them are profitability and quality. Hussein Kassim (2010) in a comparative study of Islamic and conventional banks' product mix examined the behavior of key bank-level stability factors of liquidity, capital, risk-taking and consumer confidence in Islamic and conventional banks through using a sample of 194 banks of Gulf Cooperation Countries for the period of 2000 to 2007. The findings of the research show that Islamic banks generally tend to provide higher consumer confidence levels, although conventional banks had carried higher averages of liquidity compared to Islamic banks. Mansour et al. (2010) in a study examined the factors that may influence decision-making process of UK customers using a sample of 156 respondents through comprising Muslim and non-Muslim bank customers. Dusuki & Dar (2005) in a studied stakeholders' perception of corporate social responsibility of Islamic banks in Malaysia by collecting data from multiple stakeholder groups of two groups of two full-fledged Islamic banks in Malaysia, namely, Bank Islam Malayasia Berhad (BIMB) and Bank Muamalat Malaysia Berhad (BMMB).

Cader Yoosuf et al. (2013) explored in his research that knowledge management is practiced by Islamic and conventional banks in the United Arab Emirates (UAE). The findings of the research show that Islamic banks in the UAE were found to be relatively more actively engaged in knowledge management than conventional banks. Taap Amat Manshor et al. (2011) in a comparative study attempted to measure and compare the service quality between conventional and Islamic banks in Malaysia using an extended SERVQUAL model from 287 bank customers. Hanif Muhammad (2011) attempted to address the perceptional issues by identifying the similarities and differences in Islamic and Conventional banking. Ahmad, Rehman and Saif (2010) in his study examined the relationship between service quality and customer satisfaction in Islamic banks as well as conventional banks in Pakistan over 720 banks.

Cheteni Priviledge (2014) in his study analyzed consumer awareness level towards Islamic banking products and services from 140 respondents. Ali, Ali & Khwaja (2013) in a comparative study on Islamic and Conventional Banking a case study of Peshawar Region, has been analyzed with a sample size of 150 banking client of Riba and Services. Ahmad Khaliq et al. (2011) conducted a study on 'Brand preference in the Islamic banking', over 300 students at the International Islamic University of Malaysia and suggested that a strong Islamic brand reputation as well as better financial and banking services are the main factors which influence the selection of a brand. Awan et al. (2011) investigated the service quality and its relationship to customer satisfaction among the customers of conventional banks and Islamic banks using modified SERVQUAL scale from 200 walk-in customers. Tlemsani Issam (2013) studies on the Reconcilability between Islamic & Conventional Banking, with context to the principles and practices exist between Islam and the West. Hutapea & Kasri (2010) compared the bank margin (BM) behavior of Islamic and conventional banks in the Indonesian dual banking system. Haron et al. (2008) investigated the impact of selected economic variables at the deposit level in the Islamic and conventional banking systems in Malaysia through applying advanced time series Econometrics and find out that these determinants have different impact on deposits at both Islamic and conventional banking systems.

Qasem, Radaydeh M (2014) in a comparative study made on industrial companies Listed on the Amman stock exchange, explored the impact of Islamic financing and conventional financing on the performance of Jordanian industrial companies during the period of 2001 to 2010 using financial ratios and concludes that there is no statistically significant differences between companies that follow Islamic financing system and companies that follow conventional financing system for all financial ratios except the rate of income to expenses, the rate of profit to expenses. Wasiuzzaman et al. (2013) in a research analyzed the differences in bank characteristics of total 14 Islamic and conventional banks in Malaysia over the period of 2005-2009 and found the ROA, and board size of conventional banks is higher compared to Islamic banks and the other variables such as asset quality, operational efficiency, capital adequacy, board dependence were higher for Islamic banks than conventional banks. Hamouri M et al. (2003) in a study found that Islamic banking scheme (IBS) banks have recorded higher return on assets as they are able to utilize existing overhead carried by mainstream banks and also commented that the higher ROA ratio for IBS banks does not imply high efficiency.

Al-Tamimi Hassan A. Hussein, Jellali Neila (2013) examined the effect of ownership structure and competition on risk-taking behavior of UAE banks during the period 1998–2010 over 15 national banks, both conventional and Islamic banks and find out that UAE conventional banks are riskier than Islamic banks. Tafri Hanim et al. (2011) in an empirical research in Malaysia, examined the level of adequacy of risk management tools and systems of these banks and find out that risk management tools and systems for Islamic banking are inadequate. Zeyneb Hafsa Orhan Astron (2013) in a study provided a new approach to the credit risk management process of profit & loss sharing instruments in Islamic banks. In this research, three credit risk management steps are elaborated for profit and loss sharing instruments. Kozarević1 Emira, Nuhanović1 Senija & Nurikić1 Baraković Mirnesa (2013) compared and Analyzed risk management in Conventional and Islamic banks, the study is based on specific features of banks in Bosnia and Herzegovina and their way of managing risks is conditioned by a particular legal framework of conventional banks and its effect on Islamic banks. Mansoor & Bhatti (2010) in a study presented the conceptual model and practice of Islamic banking a financial risk-allocation approach.

Khiyar Abdalla Khiyar (2012) in a study stated that Malaysia has proved to be at the forefront of Islamic banking and finance by adopting a dual banking system where the conventional and Islamic banking systems co-exist. Malaysia has emerged as the first country to implement a dual banking and financial system and the Malaysian model has been recognized by many Islamic countries as the model to emulate. Jalil & Rahman (2010) in a study narrated and analyzed that the Islamic banking transactions which are interest free and are considered as alternatives to the conventional banking transactions. Khan & Bhatti (2010) in his research highlighted the unprecedented growth of Islamic banking and finance in the contemporary financial world over 75 countries from Africa, Asia, Europe and North America and draws attention towards the Islamic products, systems, infrastructures and supporting institutions across the world.

Zagaris et al. (2014) in his research examined the modern uses of *Hawalas* and discussed the legal issues involving IFT regulation in the UAE, Afghanistan, Somalia, the Eastern and South African Anti-Money Laundering Group, and Columbia, and developed world regulation in The Netherlands, the UK, and the USA. Abdullah Aziz A et al. (2012) examined non-Muslim customers' perception of Islamic banking products and services in Malaysia over 152 respondents. The result of the study shows that Islamic banking services are making headway among non-Muslims in Kuala Lumpur. Alam Mobeen Hassan et al. (2011) in a study analyzed the development of Islamic banking and the role of the central bank in the development of Islamic banking in Pakistan. Suliman H. Albalawi (2006) in his dissertation examined similarities and differences between the structure and practice of Islamic banking and western banking in Saudi Arabia and Egypt.

Bahari & Yusuf (2014) in his research investigated customers' perceptions of the Islamic Banks in Aceh towards CSR based on content analysis over 400 customers. Bukhari et al. (2013) in a study on an evaluation of corporate governance practices of Islamic banks versus Islamic bank windows of conventional banks, explored the perceived importance of management about various corporate governance dimensions being practiced in Pakistan.

GUNPUTH (2014) studies on Micro-Credit in Conventional Banking to make an analogy between conventional banks and Islamic banking in micro-credit, incentives provided for entrepreneurs and small and medium enterprises (SMEs) in a Mauritian perspective. Baba Ricard & Amin Hanudin (2009) in his study Labuan determined the viability of Islamic banking as a niche for the Labuan International Offshore Financial Center (IOFC).

Some other research studies are as Karasik, et al. (2007) on Islamic finance in a global context, opportunities and challenges, Zarrokh Ehsan (2010) Iranian Islamic banking, Karim Faisal (2012), customer satisfaction and awareness of Islamic banking products and services in Pakistan, Obiyo Clifford Ofurum (2008) on Islamic financing/banking in the Nigerian economy. Karbhari Yusuf et al. (2004) on problems and challenges facing the Islamic banking system in the west. Researchers have looked into attitudes towards Islamic banking and the criteria used by Jordanian customers to select either Islamic bank or conventional (Erol, El-Bdour, 1989; El-Bdour et al., 1990, Shook, Hassan, 1988; and Sudin et al., 1994). These studies suggest that customers show their confidence in choosing Islamic banks because of service, reputation and its respective image.

4. Research Objectives

1. To find out the factors are influencing / contributing stakeholders towards choosing Islamic banking over conventional banking.
2. To find out the extent of satisfaction of stakeholders regarding different aspects of Islamic banks over conventional banks.
3. To find out the awareness level of facilities and services offered by Islamic banks over conventional banks.
4. To find out the efficiency level of Islamic banks over conventional banks.

5. Hypothesis

H01: Islamic banks show a higher level of ethical responsibility toward conventional banks.

H02: Islamic banks are committed to creating ethical value to its stakeholders regardless of economic consequences since the Islamic banks follow Sharia'h Law.

H03: Islamic banking and Islamic ethical dimensions followed by Islamic banks as per stakeholders' perception.

H04: Conventional banking and Islamic ethical dimensions followed by Islamic banks as per stakeholders' perception.

6. Research Design

The purpose of the study is to poll the opinion of different stakeholders' groups of Islamic banks and conventional banks in the Middle East region especially the Gulf countries (GCCs). The stakeholders' group consists of the groups of customer, depositors, employees, branch managers, regulators, Sharia'h advisors who are directly or indirectly associated or can affect or affected with Islamic banking ethical principles & practices. The choice of stakeholders' groups is based on the data provided by the both banks, Islamic as well as conventional of primary importance. In general Stakeholders can be defined as 'any group or individual who can affect or affected by the achievement of the firms objectives' (Feeman 1984).

6.1 Survey Instrument

The data are collected through structured questionnaire and personal interview, Islamic bank's website, Islamic bank reports, etc. The questionnaire consists of various independent dimensions. The questionnaire was designed on five points of Likert-scale strongly disagree to strongly agree (1-5) in English then translated into Arabic. Both the original and the translated version were evaluated by expert assessors to ensure that there were no differences between the contents and format of both versions of the questionnaire.

6.2 Sample Population

The population composed of different groups of stakeholders of distinguishing Islamic and non-Islamic banks of the Gulf countries (Saudi Arabia, Qatar, Dubai, Kuwait, Bahrain and Oman) of the Middle East region.

6.3 Sampling Design

A total 600 questionnaire has distributed among 32 banks across the Gulf countries of the Middle East reason, out of which 472 is finally returned. The numbers of returned questionnaires are depending on the reason of the availability of numbers of respondents inside of respective banks and outside of respective banks who are able to answer for the questionnaire. The respondents have assured about the information keeps confidential and no individual information would be disclosed or published, and all the results would be presented in a summarized manner.

Table 2: Respondents Groups and Distribution of Survey Population

Respondents	Distributed	Collected Finally	Percentage (%)
Sharia'h Advisors	60	46	9.75
Regulators	60	43	9.11
Branch Managers	60	47	9.96
Customers	180	136	28.81
Depositors	120	97	20.55
General Communities	120	103	21.82
Total	**600**	**472**	**78.67**

7. Result and Analysis

7.1 Respondents' Status & Backgrounds

Table 2 summarizes the basic level of statistics on gender, age, marital status, educational level and monthly income of the respondents. The male respondents constitute 82.2% of the respondents, while female respondents were 17.2% only. The higher percentage of employees are of age group ranging from 30-49 years of age, although a quite number of the respondents belong to middle ages 20-29 years and above 50 years of the age. The married employees were double in numbers than a single one. The levels of graduates' participants (50%) were higher in numbers among all groups of respondents. The participants of diploma holders were 36% is quite sufficient. For the income group, participants who are between \$3001 to \$10000 was high in percentage (73%). Even the participants, who was earning more than \$10000 were more than 18% of the surveyed respondents. Only 1.5% respondents found whose income were less than \$2000 in the survey.

Table 3: Respondents Status & their Backgrounds

Respondents		Frequency	Percent (%)
Gender	Male Female	388 84	82.2 17.80
Age Group	Below 20 20 – 29 30 – 39 40 – 49 Above 50	8 48 194 164 58	1.69 10.17 41.10 34.75 12.29
Marital Status	Single Married	160 312	33.9 66.1
Educational Level	Primary/Secondary School Diploma/A level Bachelor Master or PhD Professional Qualification /Other	27 148 234 42 21	5.72 31.36 49.58 8.9 4.45
Monthly Income	Less than $2,000 $2,001 – $3,000 $3,001 – $5,000 $5,001 – $10,000 $10,001 – $15,000 More than $15,000	7 30 166 181 58 30	1.48 6.36 35.17 38.35 12.29 6.36

Source: Survey Questionnaire SPSS 17 output

The following table 3 is based on content analysis of various selected past studies to analyze the efficiency of conventional and Islamic banks in distinguishing location in the Gulf countries of the Middle East region and some other location of the world.

Table 4: Content Analysis based on Past Studies

Author	Title of Study	Period /Country	RM	Results
Tai Lawrance (2014)	Efficiency and Performance of Conventional and Islamic banks in GCC	2003 -2011 /GCC	DFA	Conventional bank is more profitable, liquid and solvent than Islamic banks during the early years of study and Islamic bank vice-versa later.
Islmail, Farhana, Majid Abd. Shabri M., Rahim Ab. Rossazana (2013),	'Efficiency of Islamic and conventional banks in Malaysia examine cost efficiencies of the selected Islamic and conventional commercial banks	2006 to 2009 /Malaysia	DEA and Tobit regression analysis	Conventional banks are efficient in utilizing IT and electronics, and Islamic commercial banks conversely have been efficient in allocating and utilizing their resources.
Ahmad, Rahman, Rahim (2012)	'The efficiency of Islamic and conventional commercial banks in Malaysia' Islamic commercial banks (ICBs) and conventional commercial banks (CCBs)	2003 to 2007 Malaysia	DEA	Conventional commercial banks are more efficient than Islamic commercial banks.
Majid et al. (2011a)	Efficiency and total productivity factor change of Malaysian commercial banks.	Malaysia	SFA	Islamic banks have significantly lower efficiency than conventional banks.
Majid et al. (2011 b)	The Impact of Islamic banking on the cost efficiency and productivity change of Malaysian commercial banks.	Malaysia	SFA	Islamic banks have significantly lower efficiency than conventional banks.

Ahmad W, Luo H Robin (2010)	'Comparison of banking efficiency in Europe: Islamic verses conventional banks	2005 to 2008 /Europe	DEA	Islamic banks are more efficient than conventional banks, but are beset by lower efficiency
Srairi (2010)	Cost and profit efficiencies of conventional and Islamic banks in GCC countries.	GCC	SFA	Islamic banks are less efficient than conventional banks.
Majid et al. (2010)	Efficiency of Islamic and commercial banking: An International comparison	10 -countries	SFA	Islamic banks have significantly lower efficiency than conventional banks.
Johan et al. (2009)	The efficiencies of Islamic and conventional banks in GCCs.	GCC	DEA	Islamic banks have significantly lower efficiency than conventional banks.
Majid et al. (2009),	'Efficiency in Islamic and conventional banking: an international comparison'	1996 to 2002	SFA	The factors that cause Islamic banks have relatively low potential outputs for giving input usage levels.
Majid et al. (2008)	The efficiency and productivity of Malaysian banks; an output distance function approach.	Malaysia	SFA	Islamic banks have significantly lower efficiency than conventional banks.
Al-muharrami (2008)	An examination of Technical, Pure technical and scale efficiencies in GCC banking.	GCC	DEA	Islamic banks are more efficient than conventional banks.
Mokhtar et al. (2008)	Efficiencies and competition of Islamic banking in Malasia	Malaysia	DEA	Islamic banks are more efficient than conventional banks.
Mokhtar et al. (2007)	Technical and cost efficiencies of Islamic banking in Malaysia.	Malaysia	DEA	Islamic banks are more efficient than conventional banks.
Yahya Hisan, Muhammad Junaina and Hadi A. Razak (2012)	'A comparative study on the level of efficiency between Islamic and conventional banking systems in Malaysia'	Malaysia	DEA	There is no significant difference in the level of efficiency between Islamic banks and conventional banks.
Johnes, Jill et. Al. (2012),	'A Comparison of Performance of Islamic and Conventional Banks', c	2004 to 2009	DEA	There is no significant difference in gross efficiency (on average) between conventional and Islamic banks.
Badar (2008)	Cost, revenue and profit efficiency of Islamic vs conventional banks.	21 -countries	DEA	There is no significant difference in efficiency between conventional and Islamic banks.
Mokhtat et al. (2006)	Efficiency of Islamic banking in Malaysia.	Malaysia	SFA	There is no significant difference in efficiency between conventional and Islamic banks.
Grigorian and Manola (2005)	A cross country non parametric analysis of Bahrain banking.	5 -countries	DEA	There is no significant difference in efficiency between conventional and Islamic banks.
El-Gamal and Inanoglu (2005)	Inefficiency and heterogeneity of Turkish banking	1990 to 2000/ Turkey	SFA	There is no significant difference in efficiency between conventional and Islamic banks.
Said (2012)	Comparing the change in efficiency of the Western and Islamic banking systems.	Cross Country	DEA	The efficiency of Islamic and conventional banks is compared but significantly any difference not listed.

Al-Jarrah, Molyneux (2005); and	Efficiency in Arabian banking	4 -Countries	SFA	The efficiency of Islamic and conventional banks is compared but significantly any difference not listed.
Hussain (2004)	Islamic efficiencies in Bahrain: Islamic vs conventional banks	Bahrain	SFA	The efficiency of Islamic and conventional banks is compared but significantly any difference not listed.
Hassan Taufiq, Shamsher M, Badar (2009),	'Efficiency of conventional Versus Islamic banks: evidence from Middle East'	1990-2005 /Middle East	DEA	There is no significant difference in the level of efficiency between Islamic banks and conventional banks.

RM: Research Methodology, DEA: Data Envelopment Analysis; DFA: Distribution Free Approach; SFA: Stochastic Frontier Approach.

It is evident from the findings of the content analysis of 6 studies above in table 3 explain that Conventional banks are more profitable, liquid and solvent than Islamic banks during the early years of study and Islamic bank vice-versa. Conventional banks are efficient in utilizing IT and electronics and Islamic commercial banks conversely have been efficient in allocating and utilizing their resources. Some other studies examined that Islamic banks have significantly lower efficiency than conventional banks Tai Lawrance (2014); Islmail et al. (2013), Rahman and Rahim (2012); Majid et al. (2011a); Majid et al. (2011 b); Ahmad W, Luo H Robin (2010); Srairi (2010); Majid et al. (2010); Johan et al. (2009); Majid et al. (2009); Abdul Majid et al. (2008). One other study explains that the factors that cause Islamic banks have relatively low potential outputs for giving input usage levels. The three studies of the above table 3 explain that Islamic banks are more efficient than conventional banks Al-muharrami (2008), Mokhtar et al. (2008) and Mokhtar et al. (2007). The findings of another six studies stated above explain that there is no significant difference in the level of efficiency between Islamic banks and conventional banks. Yahya et at. (2012); Johnes, Jill et al. (2012); Badar (2008), Mokhtat et al. (2006), Grigorian and Manola (2005), El-Gamal and Inanoglu (2005). The remaining four studies indicate that the efficiency of Islamic and conventional banks are compared but significantly no any difference listed. Said (2012); Al-Jarrah, Molyneux (2005); Hussain (2004), Hassan Taufiq, Shamsher M, and Badar (2009).

The summary of the findings of the above table 3 explains that Conventional banks are more profitable, liquid and solvent than Islamic banks during the early years of study and Islamic bank vice-versa later. Conventional banks are efficient in utilizing IT and electronics than conventional banks and Islamic commercial banks conversely have been efficient in allocating and utilizing their resources.

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The table 4 explains the Profit Earning (P/E) ratios of six Gulf countries of the Middle East region, names as Saudi Arabia, Qatar, Dubai, Kuwait, Bahrain and Oman.

The data in the table 4 show that the profit of the Islamic and conventional banks both have an increasing rate of percentage change in net profit. This shows that overall Earning per share (EPS) and Profit-Earning (P/E) ratio both has positive results with an increasing rate for the year 2013-2014. It is also to be noted that even Al-rajhi Bank of Saudi Arabia, Al Khalij Commercial Bank (Al Khaliji) of Qatar, Al Ahli United Bank and Alizz Islamic Bank of Oman have shown some decrease in net profit for the year 2013-2014 but the overall EPS and P/E ratio shows the positive result for the year 2013-2014. This finally explains that the efficiency of both Islamic and conventional bank have increased trend in term of profitability.

Table 5: Islamic & Conventional Banks and Profit Earning Ratio (P/E) for the year 2013-14

Saudi Arabia	Net Profit (SR mil)		Change (%)	EPS (TTM) (SR)	P/E
	2013	2014			
Riyad Bank	1,918.89	2,216.00	15.48	1.41	12.97
Bank Al Jazira	311.64	326.00	4.61	1.66	19.61
The Saudi Investment Bank	634.67	690.40	8.78	2.44	10.69
Saudi Hollandi Bank	721.04	897.21	24.43	3.52	12.43
Banque Saudi Fransi	1,446.50	1,740.00	20.29	2.24	14.37
SABB	1,952.53	2,237.76	14.61	4.06	12.20
Arab National Bank	1,396.67	1,498.30	7.28	2.62	10.66
Samba Financial Group	2,333.31	2,498.00	7.06	3.90	10.35
Al Rajhi Bank	4,174.41	3,655.00	-12.44	4.26	16.27

Bank Al Bilad	318.38	378.00	18.73	1.97	22.92
Alinma Bank	462.87	600.00	29.63	0.76	24.96
Qatar	**Net Profit (QR mil)**		**Change (%)**	**EPS (TTM) (QR)**	**P/E**
	2013	**2014**			
Qatar National Bank (QNB)	4,737.25	5,100.00	7.66	14.06	12.23
Qatar Islamic Bank	630.04	725.21	15.11	6.05	16.77
Commercial Bank of Qatar	1,023.90	1,051.00	2.65	5.49	12.63
Doha Bank	748.41	787.00	5.16	5.23	11.74
Al Ahli Bank QSC	270.73	302.71	11.81	3.38	15.26
Qatar International Islamic Bank	365.58	402.00	9.96	5.20	16.55
Masraf Al Rayan	820.76	903.80	10.12	2.38	23.11
Al Khalij Commercial Bank (Al Khaliji)	290.51	258.80	-10.92	1.44	15.60
Dubai	**Net Profit (AED mil)**		**Change (%)**	**EPS (TTM) (AED)**	**P/E**
	2013	**2014**			
Ajman Bank	13.27	24.52	84.86	0.02	123.54
Commercial Bank of Dubai	496.79	581.00	16.95	0.54	11.64
Dubai Islamic Bank	700.23	1,337.00	90.94	0.57	12.82
Emirates Islamic Bank	111.08	226.46	103.88	0.06	17.03
Emirates Investment Bank	27.77	35.30	27.13	72.94	13.03
Emirates NBD	1,807.57	2,349.55	29.98	0.68	13.90
Mashreq Bank	827.91	1,160.10	40.12	12.64	10.49
Tamweel Co.	46.58	59.84	28.47	0.12	9.13
Kuwait	**Net Profit (KD mil)**		**Change (%)**	**EPS (TTM) (fils)**	**P/E**
	2013	**2014**			
National Bank of Kuwait	128.53	144.79	12.65	56.70	17.28
Gulf Bank	14.27	15.63	9.49	12.57	27.05
Commercial Bank of Kuwait	7.73	13.19	70.55	22.79	31.15
Al Ahli Bank of Kuwait	17.25	19.07	10.59	23.25	17.85
Ahli United Bank	23.16	25.45	9.87	38.18	16.76
Kuwait International Bank	6.00	8.89	48.17	17.24	17.69
Burgan Bank	27.89	33.31	19.45	16.53	31.47
Kuwait Finance House	49.82	54.57	9.53	35.45	22.57
Boubyan Bank	6.26	12.57	100.75	10.75	46.50
Bahrain	**Net Profit (BD mil)**		**Change (%)**	**EPS (TTM) (fils)**	**P/E**
	2013	**2014**			
Al Ahli United Bank	403.04	262.51	-34.87	73.10	11.08
Al Salam Bank	6.02	8.32	38.14	9.80	23.06
Bahrain Islamic Bank	2.40	4.05	68.68	8.21	20.45
BBK	25.22	27.18	7.80	45.64	9.95
National Bank of Bahrain	26.77	28.74	7.36	56.68	14.82
Oman	**Net Profit (RO mil)**		**Change (%)**	**EPS (TTM) (baisa)**	**P/E**
	2013	**2014**			
Ahli Bank	12.50	13.10	4.77	0.02	10.43
Bank Dhofar	17.81	20.50	15.12	0.05	8.62
Bank Muscat	63.11	86.35	36.83	0.08	8.59
National Bank Of Oman	18.77	23.00	22.52	0.04	8.65
HSBC BANK OMAN	9.28	5.70	-38.57	0.00	48.33
Sohar Bank	11.95	16.15	35.13	0.03	9.94
Alizz Islamic Bank	-1.56	-2.60	N/A	0.00	N/M

Source: gulfbase.com; Data for the year 2013-2014 July-August

Table 6: Factors for Islamic and Conventional Bank's Selection

S. N.	Factor for Selection of Banks	Factor Available		Islamic Banks		Conventional Banks	
		ISL	CON	Mean	Ranks	Mean	Ranks
1	Minimum service charge	Y	Y	4.71	1	3.64	25
2	Profit & Loss sharing	Y	N	4.61	2	2.06	32
3	Product price factor	Y	Y	4.55	3	3.52	27
4	Ethics & Values at workplace	Y	Y	4.48	4	3.95	13
5	Friendliness of bank's personnel	Y	Y	4.46	5	3.89	17
6	Reputation of Banks	Y	Y	4.42	6	4.17	4
7	Fair Working Conditions	Y	Y	4.38	7	4.30	2
8	Transparency in transactions	Y	Y	4.36	8	4.14	6
9	Easy ATM services	Y	Y	4.36	8	4.17	4
10	Follow Sharia'h Law	Y	N	4.35	9	00	00
11	Provides Islamic products & services	Y	N	4.32	10	00	00
12	Interest free loans	Y	N	4.27	11	00	00
13	Convenient Location	Y	Y	4.19	12	3.99	12
14	Fast Transactions	Y	Y	4.17	13	4.02	10
15	Assurance	Y	Y	4.11	14	4.05	7
16	Fast & efficient customer services	Y	Y	4.07	15	4.18	3
17	Easy financing	Y	N	4.04	16	4.15	5
18	Sufficient No. of Branches	Y	Y	4.03	17	4.03	9
19	Physical facilities	Y	Y	4.01	18	4.04	8
20	Responsiveness	Y	Y	4.00	19	3.68	23
21	Easy to open an account	Y	Y	3.84	20	3.87	18
22	Confidentiality	Y	Y	3.84	20	4.00	11
23	Islamic working environment factors	Y	Y	3.82	21	4.03	9
24	Religious Factor	Y	N	3.82	21	2.60	30
25	Respect for Human right factors	Y	Y	3.80	22	3.50	28
26	Islamic reputation and image factor	Y	N	3.79	23	2.39	31
27	Environment practices	Y	N	3.78	24	3.76	20
28	Reliability	Y	Y	3.78	24	3.94	14
29	Disclosure of Information	Y	Y	3.76	25	3.67	24
30	Involve in Charity	Y	N	3.72	26	2.64	25
31	Cost /Benefit	Y	Y	3.71	27	3.50	28
32	Problem Solving	Y	Y	3.64	28	3.93	15
33	e- Banking	Y	Y	3.62	29	3.73	22
34	Recommendation of friends and relatives	Y	Y	3.61	30	3.74	21
35	Experience Staff	Y	Y	3.45	31	3.77	19
36	Consistency	Y	Y	3.38	32	3.90	16
37	Debit card with no fees	Y	N	3.24	33	4.37	1
38	Less Error factor	Y	Y	2.21	34	3.57	26
39	Variety of product and services	Y	Y	2.00	35	3.50	28

Note: Islamic banks follow Sharia'h Law but Conventional banks with Islamic window only follow Sharia'h Law with its Islamic window.

Table 7: Stakeholder's Perception towards Islamic & Conventional Banking: Kruskall-Wallis Test

Statements	N	Mean Score	Standard Deviation	Chi-square	Degree of Freedom	Significance
1. Islamic banks Show higher level of ethical responsibility than conventional	230	3.367	1.188	27.496	6	.0001

banks.						
2. Islamic banks are committed to creating ethical value to its stakeholders than conventional banks regardless of economic consequences since the Islamic banks follow Sharia'h Law.	230	3.967	.409	28.512	6	.0000

Source: Survey Questionnaire SPSSS 17 output

The output results of Kruskall-Wallis test indicates that Islamic banks show a higher level of ethical responsibility than conventional banks and also Islamic banks are committed to create ethical value to its stakeholders than conventional banks regardless of economic consequences since the Islamic banks govern by Islamic Sharia'h Law.

Table 8: R-square, ANOVA and Coefficients for Islamic banks: Overall opinion about Islamic Bankings' Ethical Dimension

Model Summary						
Model	R	R Square	Adjusted R Square		Std. Error of the Estimate	Durbin-Watson
1	.112[a]	.013	-.014		.45908	1.412
ANOVA[b]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.100	37	.100	.473	.496[a]
	Residual	7.798	1	.211		
	Total	7.897	38			
a Predictors: (Constant), 39 Variables: Islamic Ethical Dimensions (IED1, IED2, --- IED39), b. Dependent Variables: Islamic Banking Ethics (IBE)						
Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.786	.725		1.084	.285
	IBE	.125	.182	.112	.687	.496

Source: Survey Questionnaire SPSS 17 output

The result of the table 7 shows that the value of R-square is lower and the value of the F-test statistic also is lower and from the coefficient data, the value of t is non-significant. It means that our null hypothesis rejected and alternative hypothesis accepted. It explains that there is a significant relationship between Islamic banking and Islamic ethical dimensions followed by Islamic banks as per stakeholders' perception.

Table 9: R-square, ANOVA and Coefficients for Islamic Banks: Overall Opinion about Conventional Bankings' Ethical Dimension

Model Summary						
Model	R	R Square	Adjusted R Square		Std. Error of the Estimate	Durbin-Watson
1	.708[a]	.501	.488		.32631	1.730
ANOVA[b]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.958	35	3.958	37.169	.000[a]
	Residual	3.940	1	.106		
	Total	7.897	36			

European Journal of Business and Management www.iiste.org
ISSN 2222-1905 (Paper) ISSN 2222-2839 (Online)
Vol.7, No.12, 2015

a. Predictors: (Constant), 39 Variables: Islamic Ethical Dimensions (IED1, IED2, --- IED39), b. Dependent Variables: Islamic Banking Ethics (IBE)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.197	.159		13.824	.000
	IBE	-.272	.045	-.708	-6.097	.000

Source: Survey Questionnaire SPSS 17 output

The result of the table 8 shows that the value of R-square is .501 that is good and the value of the F-test statistic is 37.169, which is also quite good and the coefficient data show that the value of t is also significant. So, it is evident from the findings that the null hypothesis accepted which explains that there is no significant relationship between conventional banking and Islamic ethical dimensions followed by Islamic banks as per stakeholders' perception.

Conclusion & Limitations

The findings of the research explain that a comparatively a large number of the respondents are satisfied with the Islamic bankings' ethical practices in relation to Islamic products and services provided them than conventional banks. The Islamic banks have a competitive advantage in terms winning customer confidence from an ethical point of view. The Islamic bank uses it religious images of caring its customers and their employees pay a significant role on the part of their service and play an important role toward its stakeholders. The study also shows that a large number of respondents are agreed with the Islamic bank's services, reliability, confidentiality and its reputation than the conventional banks. The research reveals that stakeholders in the Gulf region mainly rely heavily on bank's reputation and its social image as well as confidentiality of transactions at the time of choosing particular banks. The findings show that stakeholders of any banks (Islamic or conventional) are more likely to remain with their banks who remain successful in meeting their needs. Some of the stakeholders deal with both Islamic and non-Islamic banking transactions using Islamic banking window which somewhere gives an indication about the inability of the Islamic banks to provide them the perfect substitute of products & services to their conventional counterparts. This indicates that stakeholders are tended to deal with both banking systems to take the benefit of distinguishing products & services Islamic and non-Islamic offered by the two banking systems. It is also evident from the findings that the Islamic banks' working hours are limited in comparison to conventional banks. It also creates some difference in a working environment between two banking systems and it is one reason for the respondents to widen their choice to conventional banking, particularly in case of a large number of customers.

Islamic banks lack innovative meeting with customer needs and expectations, as most of them prefer and promote Internet banking services to the certain segments of the market than conventional banks. The result of the finding also shows that there is a large proportion of the population who are very well aware and with Islamic banking's products and services but they are not fully utilizing those facilities. This is due to that they are a citizen of an Islamic country and are not very eager in choosing these products & services as they know very well that these Islamic products & services are common in their country. The stakeholders need to be aware of Islamic bank's products & services and should be assured about their quality and competitiveness. Some studies indicate that some proportion of the population still lack awareness of all the Islamic products & services`. The study reveals that since the Islamic banking system follow the principles of Sharia'h law and is based on teaching of Holy Quran viewed as religious have a strong base to receive support from the vast majority of the respondents, as Islamic teaching helps Islamic banking in building a good reputation and establishing confidence with its stakeholders during conducting its business operation.

The conventional banks, on the other hand, are known particularly as a profit making entity, charging high interest, received little support from the respondents comparatively by Islamic banks as they are prepared to accept any return and also ready to share profit and loss with its clients following Islamic Sharia'h principles in its ability to satisfy religious concerns toward the society. The factors which affect the growth of conventional banking are profit & loss sharing, religious factors, ethical dimensions, Islamic reputation & image and Innovation in Charity etc. On the other hand Islamic banks lack variety of product and services and also have error factor more comparatively with conventional banks.

The size of sample 472 is small, consisting of the Middle East region as research is only limited to six gulf countries, namely Saudi Arabia, Qatar, Dubai, Kuwait, Bahrain and Oman. The responses of the questionnaire are also depends of any group(s) of stakeholders who are directly or indirectly have/ haven't link to any surveyed banks. Finally, the whole process was very time consuming as the data was collected in a short period of time from different location of the Gulf countries of the Middle East region.

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