

Knowledge and Perception of Students Regarding Islamic Banking: A Case Study of Hyderabad Sindh Pakistan

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Abstract

This research investigated the relationship between the university student's perception and knowledge about different concepts and terms used in the Islamic banking and products and services offered. Impact of age, gender, area of study, area of residence, CGPA and family's monthly income on the perception and knowledge of students about Islamic banking was also analyzed. Data was collected from the postgraduate students (Respondents # 60) selected randomly from two public sectors universities (Sindh Agriculture University Tandojam and University of Sindh) along with one private sectors (ISRA) university of Hyderabad. Simple linear regressions were used in order to check the impact of socioeconomic characteristics on the knowledge and perception of students. University students were mainly surveyed to assess the knowledge and perception of country's intellectual cream of Islamic banking crop. Results showed that religious sincerity, not the better knowledge of Islamic banking was the strongest predictor of personal banking performances. Result reflected that overall perception and knowledge of students was significantly different from zero. Result suggested that students had better perception about the Islamic banking but poor knowledge. It was found that the Arabic language in specifying the products and services hindered the understandings of the students. Coefficient of age and income showed a positive relation with the perception and knowledge of students regarding Islamic banking in both public sector universities and Private Sector University. Result for area of study also displayed positive relation with the perception and knowledge of students regarding Islamic banking. Gender, area of residence and CGPA were not statistically significant which means these did not affected significantly on the perception and knowledge of students about Islamic banking however in case of private Sector University CGPA count to be factor, significantly effecting the perception of students.

Keywords: Islamic banking, perception, knowledge, products and services.

1. Introduction

Islamic banking industry has appeared as one of the fastest growing sector over the last three decades. It has extended to all places of the world and gained extensive identification by Muslims and non-Muslims. Islamic banks present the similar functions as banks do in the conventional system, except that the Islamic Banks carry out their transactions in accordance with Islamic rules. In Pakistan, customer's optimistic observation towards Islamic banking is crucial mainly due to the fact that Islamic banks have to compete with the conventional banks in a dual-banking system. Pakistan has a dual banking system, whereby the Islamic banking system operates in parallel with the conventional system. In Pakistan currently 51 banking institutions are running their operations, encompasses five Islamic banks and 46 conventional banking institutions out of which 15 conventional banks also running Islamic windows (GOP, 2012).

Islamic banking from its recorded inception is less than 40 years old. From a humble beginning in a small village in Egypt in the late 60's, it has spread to the four corners of the world. By normal standards in a time span that is less than half a century it could have hardly been expected to establish foothold in Muslim world, let alone make its presence felt in Muslim-minority countries. Yet such has been its phenomenal rate of growth that not only is it taking firm roots in its homestead, but is also attracting genuine interest among the standard bearers of conventional banking and in swathes of land where Muslims are a small minority only. Still there is much ground left to cover. In Pakistan, Islamic Banking is less than 3% of the Banking sector. Even in the Gulf States where it has a larger footprint in no single country is the volume of Islamic banking more than a third of the entire sector. A standard complaint against Islamic banks is that they do not have the same variety of financial instruments as found in conventional banking. Though valid to an extent, this popular jeremiad needs to be seen in the perspective of Islamic Banking brief history against more than two centuries of conventional banking adopted in full force across the globe, its competition against an entrenched system of banking and the constraints within which it must operate. Islam is defined as total submission to Allah Almighty without any condition. It is a complete code of life that consists upon the instructions of Allah Almighty and the practices of the Holy Prophet Muhammad (Peace be upon him). Everyone in this world performs religious, social and economic activities in one's life. But most of the times social and economic activities are originated and linked

with the religious activities. Islam provides a comprehensive set of instructions to face any challenge. Economic activities reflect the earning and spending pattern of people, which is closely associated with religion in the form of being permissible (Halaal) or forbidden (Haraam). The Holy Quran has clear instructions regarding business and trading activities as earnings from trade (Bay) is Halaal but interest (Riba) based activities are haraam (SBP, 2010).

The thrust for Islamic Banking is founded on the desire to submit to the Divine Instructions on all transactions, particularly those involving exchange of money for money. However, it would be quite unfair to limit Islamic Banking to elimination of Riba only. Riba is but one of the major undesirable elements of an economic transaction, the others being Gharar (uncertainty) and Qimar (speculation). While elimination of these objectionable aspects in a transaction is indeed a critical aim of Islamic banking system, it is by no means its ultimate objective. At the heart of Islamic Banking is a system of commercial transactions that not only provides Halaal modes of commercial transactions by avoiding that which is obnoxious and objectionable, but also fosters ethical, fair and just practices. A key element of Islamic economics is distribution of equitable rewards to the different factors of production. Islamic economic system seeks system of Redistributive justice where concentration of wealth in a few hands is countered and flow of money into economy is fluent. Islamic Banking is, therefore, seen as a lynchpin to achieving the economic and social goals of the Islamic economic system (IBP, 2012).

The existence of Islamic and conventional banks created competition among banks to meet customers' expectations for long term benefits. There are two banking systems that exist in Pakistan namely Islamic banking and conventional banking. The Islamic bank (IB) and conventional bank (CB) is differentiated on the basis of objectives, Riba and risk sharing practices. IB follows principles of Sharia'h given by Allah Almighty while CB follows manmade SOPs (Standard Operating Procedures); IB generates income as profits that are variable while CB earns from the interest that is fixed. However, risk is shared among lender, borrower in IB, while CB transfers the whole risk to others. IB is trade oriented unit while CB works as a pure financial.. SBP plays an active role to establish a sound Islamic banking system in Pakistan according to principles of Sharia'h as mentioned in its mission statement that read "To support and expand Islamic Banking in line with the best international practices, ensuring Sharia'h Compliance and transparency"(Akhtar, 2007).

2. Objectives

1. To assess the prior knowledge of peoples about Islamic Banking.
2. To check the perception of students regarding Islamic banking.
3. To estimate the relationship between the socio-economic characteristics of the respondents and their understanding of the Islamic banking.

3. Methodology

This section portrays a method of investigation on which this study is based and describes the approaches for the implementation of the research aim, which guided the entire study. The present study was undertaken in order to investigate the knowledge and perception of students regarding Islamic Banking.

3.1. Framework

This study was based on the primary data that was collected from the field. The course of action used in sketching and method of sample estimation of knowledge and perception of students regarding Islamic Banking is elaborated. Sample method, model mass, model structure, method of data collection and data examination approaches were also described in detail in the this segment.

3.2. Sampling Procedure

An analysis is often required to produce suggestions on the basis of data gathered from the true representative sample of the whole population (Scheaffer, (1979). An effort has to be made to formulate a sample proposal, in terms of inexpensiveness and easy to operate; give impartial result along sample hypothesis used in present study is explained under.

3.3. Defining the Population

The segment under examination was the knowledge and perception of students regarding Islamic Banking and population for study was Hyderabad of province Sindh because classification of population is the foremost stage regarding sampling method or representative elements in any study (Kinneer and Taylor, (1987).

3.4. Sample Size

The survey was conducted by interviewing the students and selection of students was random. We are selecting the two Public Sector Universities along with one Private Sector University. However for the present study the

sample size was 60. Majority of the respondents was selected from the Sindh Agriculture University that is 20, 20 respondent was selected from the Sindh University and 20 respondents was selected from the ISRA university for the comparative analysis purposes.

3.5. Selection of Students

Distributions of students were equally basis means 50% male and 50% females.

3.6. Sample Selection Producer

The respondents were selected randomly adopted in order to conduct this research. This technique was used because it is considered an improved scheme to keep away from any kind of favoring in the data collection, through which every article of the population which was indistinguishable chance for taken in to account (Scheaffer,1990).

3.7. Design of Questionnaire

10 question was formulated regarding different socio-economic characteristics of the respondents such as age, gender, area of study area of residence etc. 03 question ask was relevant to personal banking preferences, 17 question was formulated to different terms and concepts used in Islamic banking, Sharia'h compliance etc. 13 question was design relevant to different products and service offered by Islamic .

3.8. Model Specification

Descriptive statistics was used in order to check the knowledge and perception of students. Simple liner regressions model was used in order to investigate the impact of socio economic characteristics of respondents on their perception and knowledge about the different concepts and terms used in Islamic financial/banks and products and services offered according to the objective of the study. Regression analysis was carried out in two parts firstly the impact of socio economic characteristics of respondents on their perception was checked secondly socio economic characteristics of respondents on their knowledge were examined.

The model was

$$IB = a + \beta_1 Residence + \beta_2 Family\ monthly\ income + \beta_3 CGPA + \beta_4 Gender + \beta_5 Area\ of\ study + \beta_6 Age + \epsilon$$

Where,

IB = A students score regarding knowledge and perception of Islamic Banking.

a = the intercept term

CGPA = dummy variable is one if the CGPA is more than 3 or equal to 3, zero otherwise.

Gender = dummy variable is one if the respondent is female, zero otherwise.

Family's monthly income = impact of income was tested in terms of units that how one unit of income affects the knowledge and perception.

$\beta_1 - \beta_6$ = the correlation coefficients associated with the six independent variables.

ϵ = the random error term.

4. Results

While conducting any economic or social scientific research, analysis and explanation of data are the most important steps. The prime objective of this study was to examine the knowledge and perception of students regarding different concepts and terms used products and services offered in Islamic Banking. An attempt has been made in this chapter to investigate and figure out the significant data in order to draw conclusions and formulate appropriate suggestions.

4.1. Gender

Table 1: Distributions of respondents according to gender in the study area

Gander	No. of Students	Percentage
Male	30	50.00
Female	30	50.00
Total	60	100.00

Table-1 shows the 50.00 percent respondents of male and 50.00 percent respondents were female in the study area respectively.

4.2. Area of Study

Table 2: Distributions of respondents according to area of study in the study area

Area of Study	No. of Students	Percentage
Finance	30	50.00
Non-Finance	30	50.00
Total	60	100.00

Table-2 shows the 50.00 percent respondents of finance and 50.00 percent respondents were non-finance in the study area respectively.

4.3. Grading (education)

Table 3: Distributions of respondents according to cumulative grade point average

CGPA	No. of Students	Percentage
Less 3	16	26.66
Above 3	44	73.33
Total	60	100.00

Table-3 shows the majority of respondents 73.33 percent were above than 3 CGPA and only 26.66 percent of respondents were less than 3 CGPA respectively.

4.4. Age

Table 4: Distributions of respondents according to age in the study area

Age	No. of Students	Percentage
18-20 Years	08	13.33
21-25 Years	20	33.33
26-30 Years	22	36.66
Above 30 Years	10	16.66
Total	60	100.00

Table-4 shows that age of the respondents were found in 18-20 years 13.33 percent, 21-25 years 33.33 percent, 26-30 years 36.66 percent and above 30 years 16.66 percent respectively.

4.5. Area of Residence

Table 5: Distributions of respondents according to area of residence in the study area

Area of Residence	No. of Students	Percentage
Rural	30	50.00
Urban	30	50.00
Total	60	100.00

Table-5 shows the 50.00 percent respondents were belonging to rural area and 50.00 percent respondents were belonging to urban area respectively.

4.6. Monthly Income

Table 6: Distributions of respondents according to income in the study area

Monthly Income	No. of Students	Percentage
Less 20000	04	6.66
20001-30000	07	11.66
30001-40000	24	40.00
40001-50000	13	21.66
Above 50000	11	18.33
Total	60	100.00

Table-6 while gathering information relevant to the monthly income of the respondents family t s observed that only 6.66 percent of the students families were earning the monthly income less than 20000, while 11.66 percent, 40.00 percent 21.66 percent and 18.33 percent of the students families were earning the monthly income between 20001-30000, 30001-40000, 40001-50000 and more than 50000 respectively.

4.7. Personal Banking Preferences

Table 7: Distributions of respondents according to banking preference in the study area

Name of Bank	No. of Students	Percentage
Conventional Bank	40	66.66
Islamic Bank	20	33.33
Total	60	100.00

Table-7 shows that 66.66 percent of the respondents were inclined towards service offered by the conventional banking and the 33.33 percent were involved in Islamic Banking.

4.8.Motive choosing

Table 8: Distributions of respondents according to motive choosing in the study area

Motive Behind Choosing a Bank	No. of Students	Percentage
Conventional location	28	46.66
Cheap Products	03	5.00
Profitability Reasons	10	16.66
Religious Reasons	12	20.00
Other	07	11.66
Total	60	100.00

Table-8 shows that respondents using banking service were most 46.66 percent, inclined towards the conventional location of the bank. Only 5.00 percent of the respondents were inclined toward cheap products, 16.66 percent of the respondents were inclined toward profitability reasons, 20.00 percent of the respondents were inclined Islamic banking due to religious aspects and 11.66 percent of the respondents were inclined toward other reasons.

4.9.Time of loyalty

Table 9: Distributions of respondents according to time of loyalty in the study area

Time of loyalty Islamic Bank	No. of Students	Percentage
1 Year	04	6.66
1-5 Years	16	26.66
5-8 Years	10	16.66
Above 8 Years	08	13.33
Not user of Islamic Bank	22	36.66
Total	60	100.00

Table-9 shows that respondents using banking service only 6.66 percent since last year, 26.66 percent those who using Islamic Bank were since last 1-5 years, 16.66 percent those who using Islamic Bank were since last 5-8 and 13.33 percent those who using Islamic Bank were since more than 10. It was also noted that 36.66 percent of the respondents were those who not using the Islamic Banks.

4.10. Perception of Students Regarding Islamic Banking

Table 10: Do you know Islamic Banks in Pakistan provide interest free services?

Respondents Response	No. of Students	Percentage
No	24	40.00
Yes	33	55.00
Don't know	03	5.00
Total	60	100.00

Table-10 That Islamic Banks provided interest free service like Quraz-e-hasna but awareness to public was not managed in an efficient way so only 55.00 percent of respondents were familiar with this kind of service while 40.00 percent of the respondents were interest free service are not provided by Islamic Banks. It gives rise serious question for the administration of the Islamic Banks who were managing their market plan. 5.00 percent of the respondents were those who did not know that Islamic Banking system.

Table 11: do you know prohibition of interest/ RIBA in Islam is logical?

Respondents Response	No. of Students	Percentage
No	05	8.33
Yes	52	86.66
Don't know	03	5.00
Total	60	100.00

Table-11 shows that 81.66 percent of the respondents were those who know about that prohibition of

interest or RIBA in Islam is logical. Only 8.33 percent of the respondents answer was no. 5.00 percent of the respondents have no idea about it.

Table 12: Islamic Banks aims to service Muslim communities only?

Respondents Response	No. of Students	Percentage
No	49	81.66
Yes	03	5.00
Don't know	08	13.33
Total	60	100.00

Table-12 That Islamic Banking emphases is on Profit and Risk sharing, it is only system which is established specially in consciences with Islamic Sharia'h for the whole community because of the globally of its laws and principals. So 81.66 percent of the respondents gave their verdict that Islamic Banks have the aim to serve the whole community. While 5.00 percent of the respondents were view that Islamic Banks aim to serve Muslims communities. Only 13.33 percent did not know anything about this issue.

Table 13: Do you feel Islamic or Interest free service are expensive than non Islamic services?

Respondents Response	No. of Students	Percentage
No	40	66.66
Yes	15	25.00
Don't know	05	8.33
Total	60	100.00

Table-13 shows that products and service offered by Islamic Banks were considered expensive than non Islamic service by 25.00 percent of the respondents while 66.66 percent of respondents were of the appositive view. 8.33 percent of the respondents did not know.

Table 14: if Islamic product becomes expensive, would you still consider them?

Respondents Response	No. of Students	Percentage
No	17	28.33
Yes	35	58.33
Don't know	08	13.33
Total	60	100.00

Table-14 shows that if products and services offered by Islamic banks become really costlier than other, 58.33 percent of the respondents gave the view that they would consider them while 28.33 percent were of the opposite view. 13.33 percent of the whole sample did not know respectively.

Table 15: Are you satisfied with the product and service offered by the Islamic Banks?

Respondents Response	No. of Students	Percentage
No	15	25.00
Yes	38	63.33
Don't know	07	11.66
Total	60	100.00

Table-15 shows that 63.33 percent of the respondents were satisfied with the products and services offer by Islamic banks while 25.00 percent were not satisfied with the products and services offer by Islamic banks. Only 11.66 percent were those who did not know respectively.

Table 16: Do you know how your deposits and saving are interest by the Conventional Bank?

Respondents Response	No. of Students	Percentage
No	35	58.33
Yes	17	28.33
Don't know	08	13.33
Total	60	100.00

Table-16 shows that 58.33 percent of the respondents were not aware of where their deposit and savings were invested by the Islamic banks. 28.33 percent of the students were aware of where their deposit and saving were invested by the Islamic banks. 13.33 percent of the respondents were doing not know respectively.

Table 17: Islamic Banking methods of finance are interest free?

Respondents Response	No. of Students	Percentage
No	19	31.66
Yes	35	58.33
Don't know	06	10.00
Total	60	100.00

Table-17 shows that 58.33 percent of the respondents were of the view that Islamic methods of finance are interest free where as 31.66 percent claimed that methods of finance that had been introduced by Islamic

banks were not interest free .only 10.00 percent of the whole did not know that their either Islamic banks provide interest free methods of finance or not.

Table 18: Islamic Banks provide Islamic methods of finance in accordance with Sharia'h?

Respondents Response	No. of Students	Percentage
No	22	36.66
Yes	35	58.33
Don't know	03	5.00
Total	60	100.00

Table-18 shows that 58.33 percent of the students think that Islamic banks provide Islamic method of the finance in accordance with Sharia'h. It can be taken from the qualified Sharia'h scholar to get the faithful decision in order to satisfy those 36.66 percent who were of the opposite view that Islamic methods of finance are not in according with the Sharia'h. Only 5.00 percent of the students did not know respectively.

Table 19: Does Islamic Banks costs of borrowing depend on the outcome of the business?

Respondents Response	No. of Students	Percentage
No	13	21.66
Yes	44	73.33
Don't know	03	5.00
Total	60	100.00

Table-19 shows that 73.33 percent were of the positive views with the notion while 21.66 percent were against because of the common believe that cost of borrowing is charged in accordance with the outcome of the business and 5.00 percent of the students did not know respectively.

Table 20: Does profit/loss sharing method allows you to invest or borrow on a fair basis?

Respondents Response	No. of Students	Percentage
No	15	25.00
Yes	41	68.33
Don't know	04	6.66
Total	60	100.00

Table-20 shows that 68.33 percent were of the Profit/Loss sharing method allows the society to invest or borrow on a fair basis because justice, equity and welfare are the core principles of Islamic economic system. While only 25.00 percent think that it is not a way to achieve fair allocation of resources. Only 6.66 percent did not know respectively.

Table 21: Will better compliance with Islamic rules attract more people towards Islamic Banking?

Respondents Response	No. of Students	Percentage
No	04	6.66
Yes	54	90.00
Don't know	02	3.33
Total	60	100.00

Table-21 shows that 90.00 percent of the respondents were think that better compliance with Islamic rules will attract more people towards Islamic banking while 6.66 percent gives it no weight age. Only 3.33 percent of the respondents reveal that they don't know anything about this.

Table 22: The higher is the convenience; the greater will be the attraction for customer in Islamic Banking?

Respondents Response	No. of Students	Percentage
No	07	11.66
Yes	52	86.66
Don't know	01	1.66
Total	60	100.00

Table-22 shows that 86.66 percent of the respondents were of the belief that the higher is the convenience, the greater were the attraction for customer in Islamic banking while 11.66 percent of the respondents were not give importance to the convenience. Only 1.66 percent of the respondents reveal that they don't know anything about this.

Table 23: More branches of Islamic Banks throughout the country will motivate people to utilize the service provided by these banks?

Respondents Response	No. of Students	Percentage
No	11	18.33
Yes	47	78.33
Don't know	02	3.33
Total	60	100.00

Table-23 shows that 78.33 percent of the respondents think that more branches of Islamic banks throughout the country will motivate people to utilize the service provided by Islamic banks. Whereas 18.33 percent of the respondents give importance to factors other than no. Only 3.33 percent of the respondents reveal that they don't know anything about this.

Table 24: Interests free finances provided by Islamic Banks are considered to be a contribution to help the community in a just and efficient manner?

Respondents Response	No. of Students	Percentage
No	09	15.00
Yes	50	83.33
Don't know	01	1.66
Total	60	100.00

Table-24 shows that 83.33 percent of the respondents thinks that interest free finance provided by Islamic banks are considered to be a contribution to help the community in a just and efficient manner because unique values of Islamic financial system constitute a comprehensive system while 15.00 percent of the respondents have the contrary vision. Only 1.66 percent of the respondents reveal that they don't know anything about this.

Knowledge of Students Regarding Islamic Banking

Table 25: Distributions of respondents according to Islamic Banking emphasis

Respondents Response	No. of Students	Percentage
Mutual Understanding	20	33.33
Risk Sharing Only	03	5.00
Profit Sharing Only	07	11.66
Profit and Risk Sharing	27	45.00
Don't Know	03	5.00
Total	60	100.00

Table-25 shows that 33.33 percent of the respondents were of the view that, Islamic banking emphasis the mutual understanding while 5.00 percent view is no risk sharing, 11.66 percent view is on profit sharing. 45.00 percent of the respondents were of the view that, Islamic banking emphasis on profit and risk haring .only 5.00 percent view did not know anything about this.

Table 26: Distributions of respondents according to modes of the Islamic financing

Respondents Response	No. of Students	Percentage
Mudarabah and Musharakah	06	10.00
Salam and Istisna	07	11.66
Ijarah	06	10.00
All of Given	31	51.66
Don't Know	10	16.66
Total	60	100.00

Table-26 shows that 51.66 percent of the respondents were found totally aware of the modes of financing by the Islamic banking. 10.00 percent of the respondents were defining Mudarabah and Musharakah while 11.66 percent of the respondents were define Slam and Istisna. 10.00 percent of the respondents were defining Ijarah mode of financing. Only 16.66 percent of the students were who did not know anything about this.

Table 27: Distributions of respondents according to sources of Sharia'h

Respondents Response	No. of Students	Percentage
Quran and Hadith	20	33.33
Sunnah	05	8.33
Ijma	02	3.33
Qiyas and Ijtihad	02	3.33
All of Given	30	50.00
Don't Know	01	1.66
Total	60	100.00

Table-27 shows that 50.00 percent of the respondents think that the basic source of Sharia'h are Quran and Hadith, Sunnah, Ijma, Qiyas and Ijtihad. 33.33 percent of the respondents think that the Quran and Hadith are the only source of Sharia'h, 8.33 percent of the respondents think that the Sunnah are the only source of Sharia'h, 3.33 percent of the respondents think that the Ijma are the only source of Sharia'h, 3.33 percent of the respondents think that the Qiyas and Ijtihad are the only source of Sharia'h, Only 1.66 percent of the students were who did not know anything about this.

Table 28: Distributions of respondents according to basic principle if Islamic Banking

Respondents Response	No. of Students	Percentage
Unique Identity	02	3.33
Helping Poor	04	6.66
Banking for Poor	01	1.66
Banking in Consciences with Islamic Sharia'h	43	71.66
Don't Know	10	16.66
Total	60	100.00

Table-28 shows that 71.66 percent of the respondents think that the basic principal of Islamic banking in line with Islamic Sharia'h. 3.33 percent, 6.66 percent, 1.66 percent of the respondents think the basic principal was unique identity, helping poor, banking for poor respectively. Only 16.66 percent of the students were who did not know anything about this.

Table 29: Islamic Bank may invest according to profit sharing method only?

Respondents Response	No. of Students	Percentage
No	26	43.33
Yes	34	56.66
Total	60	100.00

Table-29 shows that 56.66 percent of the respondents were aware of the Mudarabah, 43.33 percent of the respondents were ignorant of this product. This table shows the poor knowledge of the students about this product.

Table 30: Does an Islamic Bank lends money according to profit/Loss sharing method?

Respondents Response	No. of Students	Percentage
No	17	28.33
Yes	41	68.33
Don't know	02	3.33
Total	60	100.00

Table-30 shows that 68.33 percent of the respondents were aware of this method of financing while 28.33 percent of the respondents were claiming that Islamic banks are not offering such type of financing and 3.33 percent of the students were those who did not know about this product.

Table 31: Does an Islamic Bank provides lease financing?

Respondents Response	No. of Students	Percentage
No	25	41.66
Yes	33	55.00
Don't know	03	5.00
Total	60	100.00

Table-31 shows that 55.00 percent of the respondents were aware of this method of financing while 41.66 percent of the respondents were claiming that Islamic banks are not offering such type of financing and 5.00 percent of the students were those who did not know about this product.

Table 32: Islamic Banks provide trade financing methods such as Morabaha.

Respondents Response	No. of Students	Percentage
No	16	26.66
Yes	38	63.33
Don't know	06	10.00
Total	60	100.00

Table-32 shows that 63.33 percent of the respondents were aware of Morabaha. While 26.66 percent of the respondents were claiming that Islamic banks are not offering such type of financing and 10.00 percent of the students were those who did not know about this product of Morabaha.

Table 33: Islamic Bank may help poor people with benevolent loans (Qarz-e- hasana)

Respondents Response	No. of Students	Percentage
No	15	25.00
Yes	42	70.00
Don't know	03	5.00
Total	60	100.00

Table-33 shows that 70.00 percent of the respondents were aware of this method of financing while 25.00 percent of the respondents were claiming that Islamic banks are not offering such type of financing and 5.00 percent of the students were those who did not know about this product.

Table 34: Distributions of respondents according to the awareness about Riba al-fadl?

Respondents Response	No. of Students	Percentage
No	39	65.00
Yes	19	31.66
Don't know	02	3.33
Total	60	100.00

Table-34 shows that 31.66 percent of the respondents were aware of this method of financing while 65.00 percent of the respondents were claiming that Islamic banks are not offering such type of financing and 3.33 percent of the students were those who did not know about this product.

Table 35: Distributions of respondents according to the awareness about Istisna?

Respondents Response	No. of Students	Percentage
No	40	66.66
Yes	17	28.33
Don't know	03	5.00
Total	60	100.00

Table-35 shows that 28.33 percent of the respondents were aware of this method of financing while 66.66 percent of the respondents were claiming that Islamic banks are not offering such type of financing and 5.00 percent of the students were those who did not know about this product.

Table 36: Distributions of respondents according to the awareness about Wakalah?

Respondents Response	No. of Students	Percentage
No	41	68.33
Yes	18	30.00
Don't know	01	1.66
Total	60	100.00

Table-36 shows that 30.00 percent of the respondents were aware of this method of financing while 68.33 percent of the respondents were claiming that Islamic banks are not offering such type of financing and 1.66 percent of the students were those who did not know about this product.

Table 37: Distributions of respondents according to the awareness about Hawalah?

Respondents Response	No. of Students	Percentage
No	35	58.33
Yes	23	38.33
Don't know	02	3.33
Total	60	100.00

Table-37 shows that 38.33 percent of the respondents were aware of this method of financing while 58.33 percent of the respondents were claiming that Islamic banks are not offering such type of financing and 3.33 percent of the students were those who did not know about this product.

4.11. Impact of Socio-economic Characteristics on perception

In this section 17 questions were formulated relevant to different term and concepts used in Islamic banking. Each correct answer was given the score of 1 that yielded a maximum score of 17 then this score was used as a dependent variable with 6 independent or explanatory variables Age, Gender, Area of Study, CGPA, Area of Residence, Family Monthly Income, at the 5% -level Significance.

Table 38: Impacts of Socio-economic Characteristics on perception (Public Sector Universities)

Variables	Coefficients	Std. Error	t-value	Significance
(Constant)	3.022	2.480	2.025	0.045
Age	0.203	0.097	2.099	0.038
Gender	0.484	0.492	3.016	0.453
Area of Study	20.446	0.482	2.078	0.000
CGPA	0.368	1.101	0.334	0.739
Area of Residence	0.398	0.527	1.135	0.259
Monthly Income (family)	1.354	0.000	2.061	0.021
R ²	0.656			
Adjusted R ²	0.634			
F-Value	21.099			

Table 39: Impacts of Socio-economic Characteristics on perceptions (Private Sector University)

Variables	Coefficients	Std. Error	t-value	Significance
(Constant)	1.658	4.039	2.401	0.0010
Age	0.274	0.229	2.195	0.003
Gender	0.063	1.381	1.647	0.522
Area of Study	1.095	1.556	2.603	0.009
CGPA	0.397	1.616	2.246	0.008
Area of Residence	0.018	1.851	1.226	0.423
Monthly Income (family)	1.067	0.000	2.035	0.022
R ²	0.620			
Adjusted R ²	0.592			
F-Value	22.593			

Results in Table-39 and 40 reflected that overall, perception of students was significantly different from Zero as indicated by value of F-Test (21.099 and 22.593). Value of R² showed that explanatory variables included in the model significantly contributed in dependent variable.

Result in pointed out that the perceptions were the function of the Age, Gender, Area of Study, CGPA, Area of Residence, and Family Monthly Income.

4.12. Impact of Socio-Economic Characteristics on Knowledge

In this section 13 questions were formulated relevant to different products and services offered by Islamic banking in three different styles. Firstly our multiple choice questions were asked to check the knowledge of students of Islamic banking, modes, and sources of Sharia'h and basic principles of Islamic banking. Secondly five definitional questions were asked along with four questions regarding different products and services. Each correct answer was given the score of 1 that yielded a maximum score of 13. Then this score was used as a dependent variable with 6 independent or explanatory variables. Regression procedure yielded a model with six explanatory variables, Age, Gender, Area of Study, CGPA, Area of Residence, Family Monthly Income, at the 5% -level Significance.

Table 40: Impact of socio-economic characteristics on knowledge (Public sector universities)

Variables	Coefficients	Std. Error	t-value	Significance
(Constant)	2.224	1.915	2.206	0.029
Age	0.371	0.075	2.953	0.000
Gander	0.028	0.380	0.075	0.940
Area of Study	3.867	0.372	2.330	0.022
CGPA	0.848	0.850	0.997	0.251
Area of Residence	0.043	0.407	0.106	0.916
Monthly Income (family)	3.869	0.000	2.269	0.025
R ²	0.612			
Adjusted R ²	0.590			
F-Value	17.957			

Table 41: Impacts of socio-economic characteristics on knowledge (Private sector University)

Variables	Coefficients	Std. Error	t-value	Significance
(Constant)	1.495	2.480	2.885	0.003
Age	0.306	0.141	2.177	0.037
Gander	0.062	0.847	1.781	0.440
Area of Study	1.771	0.955	2.854	0.043
CGPA	0.953	0.992	2.961	0.004
Area of Residence	1.100	1.136	0.968	0.340
Monthly Income (family)	2.921	0.000	2.540	0.003
R ²	0.648			
Adjusted R ²	0.604			
F-Value	9.292			

Results in Table-41 and 42 reflected that overall, knowledge of students was significantly different from Zero as indicated by value of F-Test (17.957 and 19.292). Value of R² showed that explanatory variables included in the model significantly contributed in dependent variable.

Result in pointed out that the perceptions were the function of the Age, Gender, Area of Study, CGPA, Area of Residence, and Family Monthly Income.

5. Conclusion and Suggestions

To ensure long-term growth and prosperity of the Islamic finance sector, overcoming widespread ignorance of Islamic financial concepts seems crucial. Educating the market along with the selection of more market friendly packaging of Islamic products would aid in the competitiveness of Islamic financial products relative to conventional products. Facilitating the understanding of Islamic products being offered and making the comparability with similar conventional products easier will help consumers make better choices. This has the added benefit of insuring that suppliers of financial products and services, whether Islamic or conventional, provide comparative value to consumers. This seems essential in an increasingly competitive financial services sector.

It is concluded from the study Islamic banking in Pakistan is growing at a rapid rate. There are three main factors which have been proven to contributing to this growth. Among these factors religious are the most promising. Therefore people are adopting Islamic banking mainly due to Islamic laws and nature. The other factors include economic and other socio and psychological factors. These factors also have certain Contribution in the growth of Islamic banking but less than religious factors. Hence it is required that Islamic banking must be distinguished from the conventional banking not only on the bases of interest but also on the bases of its profit and loss sharing mechanism and other Islamic features. Public awareness regarding the Islamic banking should be created at large scale by opting different approaches and harmony between functioning of Islamic banking and Sharia'h tenets should be established for the growth of Islamic banking industry.

The study also comes out with following recommendations:

- (1) Since a majority of the respondents express satisfaction at the quality and professional nature of services offered by the Islamic banks, the banks have to seriously look at exploiting this segment of customers. Accordingly and ensure that more expatriate customers embrace and use Islamic banking services;
- (2) Frequent workshops explaining the philosophy and functioning of Islamic banking products/services should be conducted for the customers in order to increase their awareness and attract them toward Islamic banking;

(3) Incentives in the form of free registration and discount on Islamic banking transactions should be offered to the customers. Higher rewards for frequent usage of Islamic banking services should also be offered to encourage and attract more number of customers;

(4) Incentives should be offered for positive referrals by existing customers to their friends and relatives. These incentives can be in the form of lower banking transaction cost or free gifts and vouchers.

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