

The Tendency of Customers towards the Acceptance of Islamic Banking in Bahawalpur Region, Pakistan

M. Taimoor Hassan Abbasi* Muhammad Naeem Raja Muhammad Kamran Saeed Ammad
Aslam Gulshan Ambreen Ishrat Yousaf

Department of Management Sciences, The Islamia University Bahawalpur, Pakistan.

* E-mail of the corresponding author: taimoor.abbasi@iub.edu.pk

Abstract:

Purpose – the objective of this research report is to examine the tendency of banking customers towards Islamic Banking as compare to Conventional Banking and the awareness of Islamic Banking in its ultimate customers in Bahawalpur region of Pakistan.

Design/methodology/approach – in this study the researcher used both analytical and descriptive forms of research design for this research study. The core purpose of descriptive research is to illustrate the present state of affairs. Analytical research philosophy design is used to investigate the existing facts from the data collected from the target respondents. The sample size consists of 125 customers of Islamic Banks from 20 Banks of Bahawalpur region Pakistan. A comprehensive questionnaire is developed to collect data on a scale for evaluating the theoretical model of this paper.

Findings – factors abstracted from the tendency of customer toward Islamic banking, Interest free banking, Mutual participation, Transparency, Service quality and Marketing strategy have shown significant relations of the customers in using the services of Islamic banking as compared to conventional set – up of services provided by banks.

Research limitations/ implication – most of the concerned articles are taken from Malaysia, Kenya and Canada etc countries, limited time for collecting the data and conducting the questionnaire survey. The sample size was small to only 125 respondents but the results are implicated on overall customer's loyalty in Islamic banking. It is suggested that the study should be conducted in the whole country, Pakistan.

Originality/value – the previous studies are country based, but this study has been conducted to specifically focus the Bahawalpur region of southern Punjab, Pakistan which aimed at identifying the accurate response of customer's tendency towards Islamic banking and it could be very useful for cities adopting Islamic banking.

Keywords – Islamic Finance, Services of Islamic Banking, Religious commitment in banking, Interest free banking, Islamic Banking.

1. Introduction:

The concept of Islamic banking was formally implemented in Pakistan in 1981. In earlier days, the tendency of customers towards the acceptance of Islamic banking was low but with the passage of time it is increasing. The majority of population is Muslim so religious factor plays fundamental role in the acceptance of Islamic banking because it has a sense of interest free banking and each type of transaction is strictly prohibited whose subject matter is Haram according to the doctrines of Islam. Islamic banking is also covering the operations of financial markets it is not only restricted to Islamic banks. The population of Muslims in all over the world accounts for more than one billion approximately. So, Islamic banks have many opportunities and potential customers in these areas and it is consistently growing with a rate of 10-15% per year. Currently, 300 institutes are working in 51 countries, including the United States through

companies such as the based as well as an additional 250 mutual funds that comply with Islamic principles. It is estimated that over \$822 billion worldwide sharia compliant assets as of 2005. According to Group Holding, Islamic finance is the fastest-growing segment of the global financial system and sales of Islamic bonds may rise by 24% to \$25 billion in 2010.

In 1974 when banks were nationalized their performance become very low due to the low quality products and services which results in the privatization of banking sector in 1992. State bank is mainly involve in the commencement of Islamic banking practices in 2000 and Meezan bank was registered as a full-fledge Islamic bank very first time in the history of Pakistan in 2002. In present days 6 banks are working with their no. of branches in rural and urban areas which completely uses Islamic practices. Meezan bank takes initiative in Bahawalpur region and opens its Islamic branch and facilitates a large no of customers. Now-a-days "Bank AL-Islamic, AL-Barak and faisal bank etc are working in BWP with compliance of Sharia Board and providing all types of products and services to those customers who are interested in Islamic banking. Marketing strategies which are used by Islamic bank in Bahawalpur are not very effective there is need of some improvements. Effective marketing strategies should be used to pursuit the people towards the acceptance of Islamic banking. Islamic banks also try to provide quality products and services to fulfill their customers' expectations and to satisfy them. When they provide service quality and their customer become pleased then they will repeats their transactions with Islamic bank and it will become easy for a bank to survive in this competitive world. Islamic bank provide proper disclosure of information which is based on accurate assessment of bank's performance and financial condition, risk management policies and business activity.

Primary base of this study is that methodology which is used for collecting data about Islamic banking in BWP region. After completing extensive study on particular aspects of concerned topic researcher made questionnaires and distribute them in target respondents to collect their views. Sample of 125 questionnaires are filled from target population. Respondents are divided in Gender, Age, Profession, Address and Contact number categories. After collecting data, Qui-square test is applied on that data by using SPSS 16.0. On the basis of findings we concluded that tendency of customers towards acceptance of Islamic banking in Bahawalpur region is very high but still improvements are required. Awareness and interest of customers can be enhanced by applying attractive marketing strategies and providing them high quality products and services. This study shows that people are interested in opening accounts in Islamic banks if proper disclosure of information is available. In a nut shell we can say that acceptance of Islamic banking in Bahawalpur region is very high, encouraging and motivated.

2. Interest free banking:

Islamic banking is constructed upon the principle of brotherhood and cooperation, which stands for a system of equity sharing, risk sharing and stake taking. It promotes such sharing and cooperation between the provider of funds and the user of funds (Ahmad, 2000). Islamic banking is generally known as interest free banking which becomes popular in Pakistan in few years because Pakistan is an Islamic country. In 1981 interest free banking was formally implemented in Pakistan (Ghayad, 2008). The practices of Islamic banks and financial institutions must follow the doctrines set by the Holy Quran. The purpose of Islamic banks is to follow the sayings of God and to perform a vital role in the society (Janahi, 1995). Base of the Islamic bank is the sharing of profit and loss at the completion of economic transaction. If the business entity bears loss then bank must have to share it with the customer. It is not fear that investor bear loss but bank earns profit. In conventional banking interest is essential part of banking system. But in Islamic banking all transactions are without interest. Riba is restricted in Islam to keep justice and equality in the society .Islam is strictly against of Riba i.e. interest. People who have religious thinking and beliefs prefer interest free banking. Interest free baking system does not mean that there is no return on deposits Islam is just against a fixed rate of return. Islam allows that profit sharing ratio can be determined but the ratio of return on deposits and loans should not be determined (Ghayad, 2008).

Islamic bank has a spirit and philosophy of Islam, this system follows the regulations and principles of Islam which are described in Quran. Interest free banking is not against just only Riba i.e. interest but also

strictly prohibited those practices which are immoral and harmful for the society. Islamic bank cannot involve in any practice in which interest is involved as per Islamic rules. Similarly, each type of transaction is restricted in which Gharar is involved. Simply every type of transaction is prohibited in Islamic banking whose subject matter is Haraam in Islam. Generating returns by using different investment modes which are allowed by Islam is the main focus of Islamic banking. Islam says that capital should take its return on the basis of its performance. Performing its practices within the boundary of Shariah operations of Islamic bank based on division of risk which may produce from trading or investment financing while using different modes of financing (State Bank of Pakistan, 2008).

3. Mutual participation:

Many financial products based on profit and loss sharing, offered by the Islamic banks to its customers. As the time is going on, to meet the increasing activities of bank many financial instruments introduced that fulfill Islamic rules and regulations and also satisfy customers for reasonable financial returns (Masood, Niazi and Ahmad, 2011). Financial methods adopted by Islamic banks are totally different from conventional banking. Riba or interest is strictly prohibited in Islamic banks in extending loans and for other financial tools. Financing is on the base of profit and loss sharing and equity participation. Investors become partner among which profit is distributed as per agreed ratio, when profit is generated (Suleiman, 2009). Base of the interest free banking is *Msharkah* and *Mudaraba*. Islamic bank work as a intermediary, it takes savings from investors on *Mudaraba* basis and also advancing loan to them on the same basis (Masood, Niazi and Ahmad, 2001). Islamic banks give the concept of co- ownership. Bank and customer participates equally in loss as well as in profit under different modes of financing. Islamic bank offer different modes of financing for the purchase of assets or the investment in different projects.eg investment financing, trade financing and lending (Masood, Niazi, & Ahmad, 2011). *Mudaraba* is a mode of finance through which bank signs an agreement with its customer for the commencement of a business. Under this agreement bank provide capital to its customer and customer invested that finance in a business which he wants to start. Customer also provides its professional, technical and management services to run this business. Bank decides profit sharing ratio with customer before starting the business. When business earns profit, it will distribute between bank customers according to that predetermined ratio. If loss is incurred in that business, only bank will be responsible for it. Customer or owner of the business will not share loss with bank (Rob, 1992). This mode of finance gives the concept of limited liability of the bank. Obligation of the bank is only up to the investment of that particular business. Bank will not take part in the decision making of the business and will not liable for the any risk which formed by the customer. *Mudaraba* is a contract in which the investor bears all losses whether *Mudarib* earns or get only share of profit. It is a concept in which one party invests and other undertaking the work. As the loss is bear by investor and only loss is shared by manager so it also called profit sharing-loss bearing. Investor provides funds or capital and manager can freely use the finance at any business without any restriction (Usmani, 2011). It is actually an agreement between the owner and management. This concept also uses in conventional banking in the form of profit and loss accounts (PLS).The main drawback of using this modes of financing is that it is restrained the investment for long term and focus and help only for short period of time in industries, service sector or agriculture (Gafoor, 2001). *Ijara* or leasing is also a contract in which a party transfers its asset to the concerned party for a specific period. The ownership remains in the hand of lesser but the liability to the use of property borne by the lessee. There may be two types of *Mudaraba* one *Restricted Mudaraba (Mudaraba al-muqayyada)* and second is *Unrestricted Mudaraba (Mudaraba al-mutlaqa)* , In *restricted Mudaraba* bank mentions a particular business in which customer can invest the amount of capital provided by the bank. Except that specific business customer can not start any other business. In the case of *unrestricted Mudaraba* customer or *Mudaraba* can invest the amount of capital in any business which he likes to start; bank applies no restriction on customer in that aspect (Ghayad, 2008).

Musharka: In the case of *Musharka* financing both parties' bank and customer provide capital for the commencement of business and also participate in the management affairs of the business as per agreement. The share of capital of both parties in business may be equal or not. If business earns profit then it will be distributed between both parties according to the terms of agreement. In case of loss both parties

will share it according to their shares of capital. Liability of financier and entrepreneur is unlimited in mode of finance. Bank and client, both will contribute in capital and decision making process of the business. So, if business is unable to fulfill its liabilities then business will be liquidated. If business assets are not sufficient to fulfill its liabilities then personal assets of the business will be sold to fulfill these liabilities. Equity based financing involves Mudaraba and Musharka, which have the element of profit and loss. Business may earn profit in the form of cash or in the form of increase in the value of asset o. there is also a chance of loss in monetary form or in the decrease of value of asset (Ghayad, 2008). Investment based on estimated rate of return: In this scheme, before starting the business bank forecast that how much return it will achieve the rate of return on investment in a particular business . Bank estimates a particular rate that will be at least payable by the customer to the bank. If extra profit is earned than estimated profit in the concerned project then client will take that excessive profit after giving the banks pre-agreed rate of return. In case of low profit earning than estimated rate, bank will take the lower rate of profit. If loss is occurred in that specific project then bank will share that loss with its client (Ghayad, 2008).

In Salam & Istisna the basic condition for the soundness of a sale in Islam that the product must be in physical or constructive ownership of the seller. The main two exceptions to this principal in Shariah are Salam and Istisna. Salam is used in agriculture sector while Istisna is used for merchandises. It is actually a future contract in which buyer pays fully price at the spot for future supply of goods by seller. This contract ones sign can't be cancelled and it creates a moral obligation on the seller to deliver goods in future .Istisna is the second kind of Islamic trade. In this type the product is transacted before its existence. The purchaser gives an order for manufacturing a commodity to the manufacturer. Price of the product must be fixed and all necessary requirements should be settled by the parties. The best point of this contract is that it can be cancelled by any party by giving a notice before starts the work on their contract. But when work starts no one can cancel the contract (Usmani, 2011). Islamic bank do work in trade financing in four dimensions. First one is mark up strategy, under this scheme bank buys an article for its client. Later on customer pays price and particular amount of profit to bank which is agreed between both of parties. Second one is Ijara (Leasing), in leasing bank purchase an article for its customer and then lease it to him for a specific period of time. Clients pay an agreed amount of installments after decided period of time. At the end of that agreed period customer pay the balance amount and that leased article comes under the client's ownership (Bellalah and Ellouz, 2004) e.g. home financing .Hire purchase is another way of doing trade finance. Here bank purchases an article for its client and then gives it to its customer against an agreed rate of rent for a particular period of time. After that period article comes under the client's ownership. Bank can also adopt the strategy of sell and buy back. Clint sale his property to bank and takes a particular price from bank. Customer also signs and agreement with bank that he will buy back that property on an agreed price after ascertain period of time. Letter of credit is also used. By using the letter of credit give assurance to client that it will import an object with the help of its own funds for him and after the sale of that item if any profit is earned then it will be distributed between both parties (Abdul Gafoor, 1995). Important way of lending is loan with a service charge. Bank does not charge interest from client against lending of loan but cuts only some service charges. Quard Hassa (No- cost loans) is also used for lending. Where Islamic bank provide welfare loans without any cost to needy persons (Peter, 1992) like formers, small businessmen etc. Loan is also extended to the customers by using overdraft strategy. Over draft is also given to clients for their particular purposes without any charges (Abdul Gafoor, 1995).

4. Transparency:

Transparency is a pre-requisite for achieving market discipline. Term 'Transparency' is defined as the timely disclosure of information which is based on accurate assessment of bank's performance and financial condition, risk management policies and business activity. As more information of risk is disclosed it increases the customer's investment confidence. Corporate and Shariah are the two basic and essential tool of governance in Islamic banking, corporate governance within Islamic frame work means reliability, honesty, transparency, responsibility and accountability among the share and stakeholders. Shariah governance means creating and maintaining the assurance and confidence among the stakeholders that all business activities and transactions are according to the Islamic law and Shari'ah principles (Hasan

and Hassan, 2011) Islamic banking is based on the profit and loss sharing agreement, so investor needs more transparency in dealing and information to supervise his investment Islamic banking is based upon the contractual activities, so corporate governance is compulsory for significant disclosure and monitoring the weakened areas of the Islamic banking by improving the transparency of financial treatment and monitoring. Distributive justice free from any sort of mistreatment is one of the fundamental principles of Islamic banking, which emphasizes on that the business transactions could not overlook the importance and moral substance of society (Usmani, 2002). Islamic banks invest in those industries which are not involved in unlawfully businesses like gambling and selling of alcohol (Siddiqui, 1992). The main reason of Muslim attractiveness toward Islamic banking is the compliance with Shariah, the existing or prospective customers have some trust that transactions are conventional with Islamic law this trust create some responsibility on the side of Islamic bank, to serve the nation according to Islamic laws and provide relevant, accurate and reliable information to the stake holders (Flores & Solomon, 1998). The bank acts as an agent and partner (Mudarib) and use the investment according Shariah or Islamic laws, Islamic banking is an efficient mean of investment and fund user through complying with the laws and principals of Islam, the investment account holders are the main source of financing in Islamic banking (Gray et al, 1995).

They have not any significant benchmark for entities those who found investment opportunity in Islamic banking, in Malaysia some banks are reporting social disclosure up to 35% while others have not any involvement in social disclosure, Islamic banking is failed to meet the social expectation of Islamic community and provide standardize result to their customers (Maali et al, 2003). Asian financial crises are caused by the poor transparency role, which increases the funding cost (forns, 1998). In Bangladesh there is no clear role of top management, board of directors in moral distinctness, in the annual reports of Islamic banks in Bangladesh some of the proportions are under communicated and whereas a number of others are over communicated, there is affirmative relationship between moral distinctiveness index and the market worth of banks (Hassan et al, 2011). The lack of accountability and transparency in global financial market is being filled by introducing new rules and regulations, so additional regulations must also be met which is defined by accounting auditing organization for Islamic financial institution (Khan & Bhatti, 2006). In many Muslim countries like Malaysia an international regulatory system Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) has been introduced for comparative analysis of all business transactions of Islamic banking with Islamic law or shari'a (Sharani, Yunus, 2004).

Many researches stated the improper disclosure of corporate and social disclosure, the social disclosure practice is based upon the vague and unreliable information .many Islamic banks build an Islamic reality for discoloring the information but not meeting to this reality and its consequential obligations (Maali et al, 2003). Haniffa and Hudaib (2007) scrutinized the moral distinctiveness of Islamic banking in the Arabian Gulf counties, in Arabian Gulf countries the Islamic banking is based on the real versus communicated moral distinctiveness frame, and a comprehensible gap can be shown between the real and communicated moral distinctiveness for Islamic banking. the political based economy and stake holder interest or organizational interest affects the corporative and social disclosure system ,they have right to follow their own interest but in Islamic banking societal interest is being preferred over individual or organizational interest, so manager need to comply the social disclosure informational system with the public expectations (Lindblom, 1994). Beekun and Badawi (2005) argued that the manager is responsible or answerable to ensure that all bank activities are Halal and transparent and ethical in manners.

5. Marketing Strategy:

In Malaysia they didn't face difficulties in gaining the confidence of the public toward Islamic banking as the majority of the residents of the state are Muslim represent. The current revision illustrates that religious factor now doesn't play major role for selecting bank (Haron & Azmi, 2005). Religious aspect is not only the major factor to drive Muslims to avail Islamic banking services. Through this disclosure, islamic banking have to realize the requirements, priorities of the target customer to achieve its goals. So such marketing strategies should be adapted by the Islamic banking to achieve and maintain the customer appropriately. It becomes more difficult now days because competition is increasing and the product and

services offered are difficult to differentiate. So the Islamic banking has to be innovative and creative to create strong competitive position and advantage (Bakar, 2003). In Bank Islam Malaysia Berhad (BIMB) case, as a leader of Islamic banking business, playing the function of guides to the industry, guide in the way of setting price composition for the market building value and making additional marketplace adjustments. In case of product policy, presently BIMB is consistently working its marketing effort towards e-banking servicing.

BIMB in term of its product strategy forcefully focusing on marketing efforts on E banking services. The policy for electronic banking distribution channel for their client is done with the long-term operating cost saving opening new service outlets or branches. Both Islamic banks are pursuing those strategies that can create awareness in the public about the Islamic products and services. In order to survive in currently competitive world, Islamic banking has to develop better strategies and products according to the needs of the public. BIMB reported that customer's apparent observance to Shariah as the most important factor when dealing with the bank. Islamic business ethics are the vital element of Islamic banking (Shafie et al. 2004). Islamic banks in Malaysia are working under level of satisfactory that is not good. Islamic banks should take into consideration the customer needs and their satisfaction (Tahir, 2004).

6. Service Quality:

It includes a comparison of customer expectations with organization performance. Service quality is a measure of how well a delivered service matches the customer expectations (Lewis and Booms, 1983). In this variable we investigate the service quality and its relationship to customer satisfaction with the customers of Islamic banks. There is an increased in competition among different banks to attract a large number of customer by the provision of quality services for long terms benefits. Service quality is more important in banking industry and each bank try to improve their service quality to capture large number of customers. The customers Islamic banks have a greater awareness of service quality as compared to conventional banks (Awan, 2003). Now due the awareness, the customers of different banks are much concerned regarding to quality of services. If the customers are satisfied with their current banks, they deal with their banks otherwise they feel no hesitation to switch to other banks. If one customer is satisfied from a bank service he will repeats his dealings with that bank (East, 1997). Service quality is a subjective concept, which means that understanding how the customer thinks about service quality is fundamental to good management. So, the service quality has a positive impact on customer satisfaction in Islamic banking. Customer satisfaction is a basic element of service quality. Islamic banking becomes popular due to its customer's satisfaction. When all banks offers almost same kind of services and products, customer satisfaction plays vital role in the popularity and success of Islamic banking system (Nasir Jamal and Al-Khatib, 1999). A customer whose expectations are fulfilled from Islamic bank he will tell to the other people and use positive words of mouth about Islamic banking which enhances the business of Islamic banks (Richens, 1983; File and Prince, 1992). Satisfaction is an outcome which occurs in the result of purchase and use of a product and service. When a customer uses a product he compares the benefit and cost of it with his expected outcomes relevant to that product (Churchill and Carol, 1982). Customer expectation about product and the actual performance which he perceived determined that whether a customer is satisfied or not. If product fulfills the customer's expectations then he or she will be satisfied otherwise he will be dissatisfied (vavra, 1997; and Heineke, 1998; Szymanski and Henard). Services and products offered by Islamic banks are totally different from the products offered by the conventional banks. Satisfaction is linked to the size and direction of disconfirmation experience, where experience is related with the customer's first expectations (Churchill and Carol, 1982). In Islamic banking honesty is more important factor of service quality that attracts the customers and build strong relationships with customers. The Islamic banks offer same products and services as the conventional banks such as current account, credits cards, cheque collection and others. But the difference is that Islamic banking follows the Islamic rules in carrying out their business in which any receipt of interest is prohibited (Dusuki and Abdullah, 2007).

Theoretical frame work

Interest free banking:

- Riba
- Religious Thinking
- Customer Satisfaction

H₁: There is strong inverse relationship between Riba Islamic banking.

Mutual participation

- Investment financing
- Trade financing and Islamic
- Lending

H₂: There is significance relationship between mutual participation banking.

Transparency

- Corporate governance banking.
- Social governance

H₃: There is positive relationship between transparency and Islamic banking.

Service Quality

- Tangibility
- Reliability quality.
- Responsiveness
- Convenience

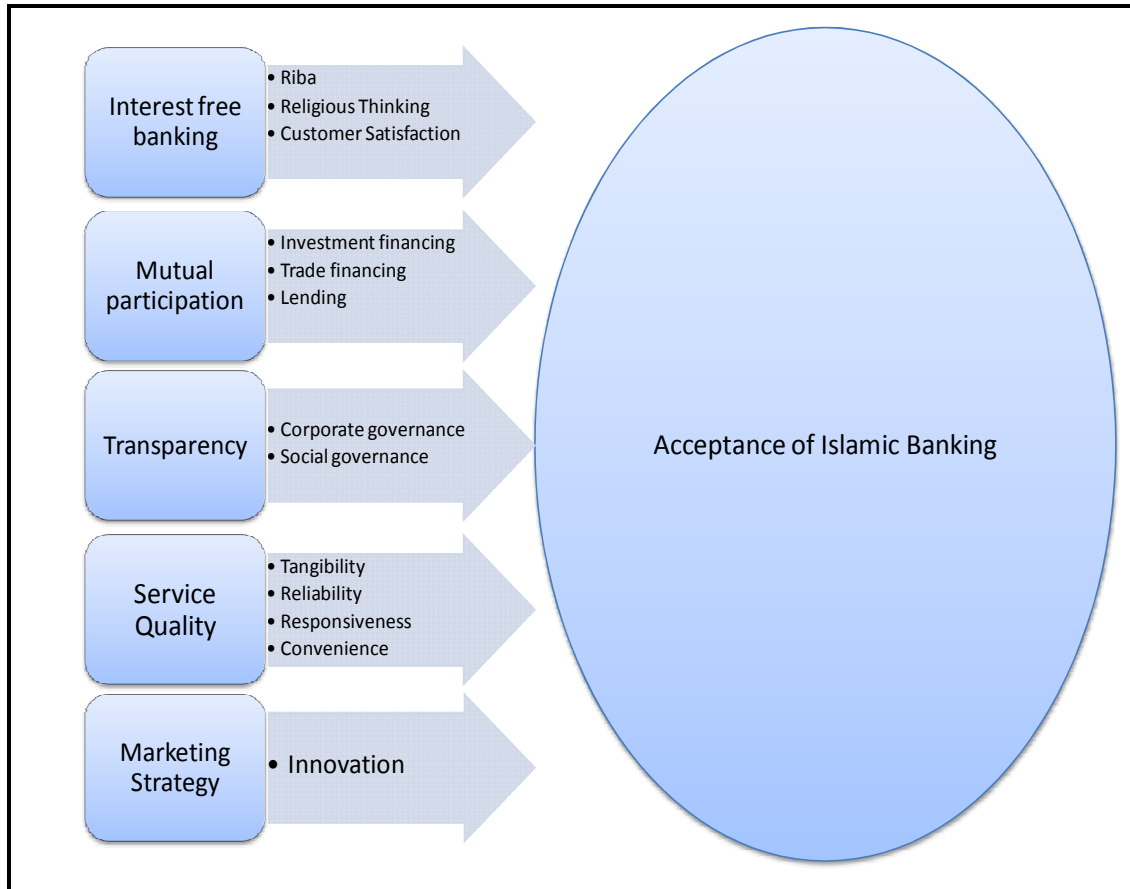
H₄: There is strong relationship between Islamic banking and service quality.

Marketing Strategy

- Innovation Islamic

H₅: There is significant relationship between marketing strategies and banking.

Model:



8. Discussion & Analysis:

Table 1. Calculation of Mean and Standard Deviation.

Variable	Mean	S.D
Riba	1.05	0.219
Religious commitment	2.24	1.288
Religious thinking	2.01	1.105
Interest free	1.99	0.927
Corporate governance	3.58	1.139
Social governance	2.03	0.703
Reliability	2.02	0.71
Responsiveness	2.68	1.072
Mutual participation	2.05	0.757
Investment financing	1.82	0.892
Lending	2.42	0.855
Service quality	2.51	1.299
Tangibility	1.44	0.701
Customer satisfaction	1.78	0.59
Innovation	1.88	0.967
Acceptance	1.9	0.56

The mean value of the customer's tendency towards the acceptance of Islamic banking as compared to the conventional set – up of financial services resulted an average response within the range of 3.58 to 1.05. Moreover, the customers are using financial services of Islamic banking set – up due to religious commitment, religious, social governance, reliability, Interest free, service quality and responsiveness as evident from the mean values computed above in table.

The value of standard deviation of interest free banking is (0.8258), mutual participation (0.8347), Transparency (0.921), Service Quality (0.9455), Marketing Strategy (0.967), Acceptance (0.56) showing that the deviation of customer tendency towards the acceptance of Islamic Banking as compare to conventional set-up from its mean value.

Table 2. Calculation of Chi – Square

Variable	Chi - Square value
Religious commitment	6.72
Religious thinking	9.82
Interest free	6.598
Corporate governance	5.411
Social governance	4.9
Reliability	4.756
Responsiveness	6.386
Mutual participation	4.938
Investment financing	6.532
Lending	4.061
Service quality	4.41
Tangibility	12.933
Customer satisfaction	6.669
Innovation	12.426

Since the computed value of Chi – square test of Religious Thinking (9.82), Tangibility (12.933), and Innovation (12.426) are highly significant, Religious commitment (6.72), Interest free (6.598), Corporate governance (5.411), Responsiveness (6.386), Investment Financing (6.532) and Customer satisfaction (6.669) are moderating significant and Social Governance (4.9), Reliability (4.756), Mutual Participation (4.938), Lending (4.061) and Service quality (4.41) are weakly significant are greater than the tabulated value at 5% level of significance, therefore; the alternate hypothesis will stand accepted. Hence, it is concluded based on results that there is significant positive relationship between them.

9. Conclusion:

The intention of this study is to test out the inclination of customers towards the reception of Islamic banking whether they are paying attention to the usage of interest free banking or not. Another purpose of this research to explore those factors which are playing main role to pursuit the customers for the adaptation of Islamic system of banking in which interest based transactions are strictly prohibited. Different modes of financing are offered in Islamic banking for investment purpose such as Mudaraba, Musharka, Ijara, salm etc. which are not offered in conventional banking. Research study shows that people are fascinated in interest free banking but they have no proper knowledge and consciousness of Islamic system of banking. Awareness about Islamic banking can be enhanced through proper disclosure of information and by using attractive marketing strategies. Bank has to lunch effective marketing campaigns to create awareness about Islamic banking and to attract the people towards it. Quality of products and services should be improved that it becomes competitive edge of Islamic banking as compare to conventional banking. When customers are highly satisfied with the facilities provided by Islamic banks then they will repeat their transactions with bank and use positive words of mouth which build a stronger image of bank in general public. Customers are also satisfied due to the fair utilization of their finance because Islamic banking provide assurance that their finance must be used for business purpose instead of personal use as against to conventional banking. It could be easily conclude that religious thinking, tangibility, and innovation are those factors have astonishing contribution in motivating the customer towards the acceptance of Islamic banking, interest free banking, cooperate governance, responsiveness; investment financing and customer satisfaction is sensible ingredient of this study. It emphasizes that Islamic banking have to adopt new policies, rules and regulations for the improvement in level of contentment and satisfaction in its intimate consumer. social governance ,reliability, mutual participation, lending and service quality have stumpy role in customer acceptance towards Islamic banking, the banks can attracts more customer by proper social supremacy and adopting the resourceful marketing strategy to develop the awareness towards the service quality in Islamic banking.

References

- Ahmad, K. (2000), "Islamic finance and banking: the challenge and Prospects", Review of Islamic Economics, Vol. 9, pp. 57-82.
- Bakar, A. (2003). International Journal of Social. Performance of Islamic mainstream.
- Beekun, R. I., & Badawi, J. A. (2005). Balancing ethical responsibility among multiple organizational stakeholders: The Islamic perspective. Journal of Business Ethics (60), 131-145.
- Churchill, G Jr and Carol, S. (1982) "an investigation into the determinants of consumer satisfaction" "journal of marketing research, vol. no19pp.491.504.
- East, R (1997), Consumer Behavior: Advances and Applications in Marketing, Prentice Hall, London.
- File, K.M., Prince, R.A (1992), "Positive word-of-mouth: customer satisfaction and buyer behaviour", International Journal of Bank Marketing, Vol. 10 No.1, pp.25-9.
- Flores, F., & Solomon, R. C. (1998). Creating Trust. Business Ethics Quarterly, 8(2), 205-232.
- Fons, S. J. (1998). Improving Transparency in Asian Banking Systems. Paper presented at Asia: An Analysis of Financial Crisis Conference' sponsored by the Federal Reserve Bank of Chicago and the International Monetary Fund.
- Gafoor, A.L.M.A. (1995), Interest-Free Commercial Banking, Apptec Publications, Groningen.
- Gray, R., Kouhy, R. and Lavers, S. (1995), "Corporate social and environmental reporting: a review of the literature and a longitudinal study of UK disclosure", Accounting, Auditing and Accountability, Vol. 8 No. 2, pp. 47-77.
- Haniffa, R. and Hudaib, M. (2007), "Exploring the ethical identity of Islamic banks via communication in annual reports", Journal of Business Ethics, Vol. 76, pp. 97-116.
- Haron, p. S., & Azmi, N. W. (2005). Marketing Strategy of Islamic banks in Malaysia' International Journal of Social Economics.
- Hasan, Z. and Hassan, M.K. (2011), "Corporate and Shariah governance in Islamic financial institutions", Islamic Finance, Islamic Shariah Research Academy (ISRA), Kuala Lumpur.
- Hassan, M.K., Imran, Y., Rashid, M. and Shahid, A.I. (2011), "Ethical gaps and market value in the Islamic banks of Bangladesh", Review of Islamic Economics.
- Janahi, A.L. (1995), Islamic Banking, Concept, Practice and Future, 2nd ed., Bahrain Islamic Bank, Manama.
- Kamal Naser, Lecturer in Accounting and Finance, Cardiff Business School, Cardiff University, Cardiff, Wales, UK.

Khalid Al-Khatib, PhD candidate, Cardiff Business School, Cardiff University, Cardiff, Wales, UK.

Khan, M. M., & Bhatti, M. I. (2006). Why interest-free banking and finance movement failed in Pakistan. *Humannomics* , 145-161.

Khan, M.M. and Bhatti, M. I., (2008). Development in Islamic Banking: A Financial Risk-Allocation Approach, *Journal of Risk Finance*, 9, 1, 40-51.

Lindblom, C.K. (1994), "The implications of organisational legitimacy for corporate social performance and disclosure", cited in Deegan, C. (2002), "The legitimising effect of social and environmental disclosures – a theoretical foundation", *Accounting, Auditing & Accountability Journal*, Vol. 15, No. 3, pp. 282-312.

Maali, B., Casson, P. and Napier, C. (2003), "Social reporting by Islamic banks", discussion papers in accounting and finance, University of Southampton, Southampton.

Masood, O., Niazi, G. S., & Ahmad, N. (2011). An analysis of the growth and rise of smaller Islamic banks in last decade . *Qualitative Research in Financial Markets* , 105-116.

Naser, K., Jamal, A. and Al-Khatib, L. (1999), "Islamic banking: a study of customer satisfaction and preferences in Jordan", *International Journal of Bank Marketing*, Vol. 17 No. 3, pp. 135-50.

Racha Ghayad, Department of Business and Economics, Lebanese University-CNAM, Beirut, Lebanon.

Sharani, U.M. (2004), *Corporate Social Responsibility Underlines Values Propagated by Islam*, Berita, Kuala Lumpur.

Siddiqui, N. (1992), *Banking Without Interest*, Markazi Maktaba Islami, New Delhi.

Szymanski, D.M. and Henard, De.ll. (2001), "customer satisfaction: a meta-analysis of the empirical evidence", *Journal of Academy of Marketing Sciences*, vol.29, pp.16.35.

Tahir, M. I. (2004). *Quality Service in Islamic Banking*.

Usmani, M.T. (2002), *An Introduction to Islamic Finance Arab and Islamic Law Series*, Kluwer Law International, Amsterdam.

Vavra, T.G. (1997), *improves your measurement of customer satisfaction*, ASQS Quality Press Milwaukee. WI.

Yunus, K. (2004), "Investment in Islamic funds soars", 23 June, *Business Times*,-2.

This academic article was published by The International Institute for Science, Technology and Education (IISTE). The IISTE is a pioneer in the Open Access Publishing service based in the U.S. and Europe. The aim of the institute is Accelerating Global Knowledge Sharing.

More information about the publisher can be found in the IISTE's homepage:

<http://www.iiste.org>

The IISTE is currently hosting more than 30 peer-reviewed academic journals and collaborating with academic institutions around the world. **Prospective authors of IISTE journals can find the submission instruction on the following page:**

<http://www.iiste.org/Journals/>

The IISTE editorial team promises to review and publish all the qualified submissions in a fast manner. All the journals articles are available online to the readers all over the world without financial, legal, or technical barriers other than those inseparable from gaining access to the internet itself. Printed version of the journals is also available upon request of readers and authors.

IISTE Knowledge Sharing Partners

EBSCO, Index Copernicus, Ulrich's Periodicals Directory, JournalTOCS, PKP Open Archives Harvester, Bielefeld Academic Search Engine, Elektronische Zeitschriftenbibliothek EZB, Open J-Gate, OCLC WorldCat, Universe Digital Library, NewJour, Google Scholar

