

Islamic Banking in Pakistan: An Attitudinal Study of Customers

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Abstract

The purpose of this research paper is to study the attitudinal differences of Pakistani customers about Islamic Banking System. This paper investigates the positive relationship of customers' attitude with demographics, services, religious beliefs and financial stability of Islamic banks. This relationship is examined by gathering data from customers working in different cities of Pakistan. A questionnaire consisting standard scale, using five point likert scales (zero designated for no weightage, while four for the highest) was administered. The result of the study revealed that independent variables like demographics, services, religious beliefs and financial stability of Islamic banks have positive relationship with the dependent variable i.e. customer attitude towards Islamic Banking in Pakistan. Any conclusion of this research could not be affixed as a rule of thumb for the entire population of Pakistan because the data collected for this paper was collected on random basis from a small sample size. Similarly, there are far too many attributes of Islamic banking & finance which influence the behavior of consumers, all of which could not be covered by this study. It is hoped, that by using this research, Islamic banking can identify and introduce more innovating products and services in accordance with Islamic Shariah.

Keywords: Islamic Banking, Attitudes, Demographic, Religious, Pakistan.

Introduction

Today when many people think about Islamic banking, they image an ancient system of finance inapt to the modern era and tarnished by accusations of terrorist funding. This image, is far from the reality, is not the result of a clash of cultures but simply a lack of communication about a sector that has the enormous potential to provide tailor-made and modern solutions in an increasingly customer-oriented world. Islamic banking & finance has long been overshadowed by conventional banking & finance and deemed a second-rate way of managing funds that only caters to one segment of the population, who wish to fully observe their Muslim religion. Such image, however, hides the fact that Islamic banks have a vast ability to serve customers and meet many of their needs that remain unanswered by other financial institutions. Yet, before Islamic banks can take on these challenges they must work to change the image that has been created by a defensive approach towards the above unwarranted criticism. The attitude of customers is the most important feature to be predicted towards the behavior of customers. Attitude of customer to services or products is inclined by comparing that service or product likeness with the self concept of consumer (Wang and Heitmeyer, 2005).

Islamic banking system is related with the culture of value system and is operated by Shariah principles. The expectation from Islamic banking is not only to stay away from interest-based transactions, disallowed by the Shariah, but also have to take share in achieving the targets of an Islamic economy. State Bank of Pakistan (SBP) has reviewed its forms of financial statements for banks in accordance with Standards of Accounting and Auditing Organization for Islamic Financial Institutions (AOIFI) and established a new Islamic Banking Division for the guidance and encouragement of Islamic banking system in the country. For operating Islamic banking, prudential regulations have been reviewed by the SBP. According to SBP. "In Pakistan the Islamic banking system has become a significant and best growing industry during the last forty years" (SBP - Islamic Banking Bulletin April-June 2011).

Researchers believe that "Islamic banking system is no longer regarded as a business entity striving only to fulfill the religious obligations of the Muslim community, but more significantly, as a business that is ineluctably in need for winning over customers at the same time as retaining the old ones" (Abdullah, 2007, Wilson, 1995 and Dusuki, p. # 8. Kuehn and Bley (2005) write, "Islamic financial services sector is growing rates at double number" (Kuehn and Bley (2005). Pakistan is a very attractive country for investment in different sectors. The Islamic bankers should be well aware of these hopeful economic conditions, as well as prospective consumers' behavioral attitudes toward Islamic banking system. Attitudinal differences of customers regarding Islamic banking however needs further research to provide more information.

History of Islamic Banking in Pakistan

The major cause behind the creation of a separate and an independent state of Pakistan was Islam. Since independence there has been a demand for eradication of Riba from the financial system of the country. The

various constitutions of Pakistan have incorporated, in policy documents, the removal of Riba as a vital aim of the State policy. Article 38(f) of the Constitution of the Islamic Republic of Pakistan provides: “The State shall eliminate Riba as early as possible” (page 14.). Quaid-e-Azam Muhammad Ali Jinnah, the founder of Pakistan also expressed his desire for instituting an Islamic financial system. on the occasion of the inauguration of State Bank of Pakistan.

For Islamization of the financial system of Pakistan, some spadework was done in 60s, however, the conversion of conventional banks into Islamic was taken more seriously during the mid 80s (*Mehmood, 2002*). Pakistan has been trying for Riba/interest free banking system in the country. The Banking Companies Ordinance, 1962 was amended to have room for interest free transactions and businesses had to convert to the interest free based system. This was challenged in the Federal Shariah Court in early 90s with a declaration that some products being used by the banking system were against Shariah. The case was then taken to the Shariah Appellate Bench of the Supreme Court. The State Bank of Pakistan proceeded further for encouraging Islamic Banking.

Dr. Akdas Ali Kazmi, Joint Chief Economist, Planning Commission published an article on in daily “DAWN” on 12th February 2000 titled ‘**Riba: some unanswered questions**’. He raised the following challenging concerns about Islamic banking products and services trying to prove that it could not be possible to implement the Supreme Court order in order to eradicate interest:-

1. 1st objection was that there was no bank in the Islamic or un-Islamic world running truly run on an interest-free basis.
2. Central bank cannot conduct its monetary policy by excluding the standard of interest.
3. In the practice of Islamic banks there is a funny blend of interest-based modes of finance.
4. What are exactly and the number the Islamic compliant instruments of finance? These instruments cannot meet the too many multi dimensional needs of modern trade, finance and banking.
5. Application of these instruments applied and put a figure on of success.
6. Islamic Development Bank as the model Islamic Bank does not function on interest-free basis.
7. Mechanism of Islamic banks to undertake financial intermediation.

Following are some responses in favor of the interest free banking to the above cited challenging issues:-

1. Use of TMCL for interest-free lending and earning from Sharia compliant profit yielding modes will turn present Islamic banks into true Islamic interest-free banks.
Time Multiple Counter Loan (TMCL) can perform all functions as efficiently as is performed by interest in modern banking). This transaction requires a bank to give an interest-free loan in return for a similar counter-loan to the bank so that the product of the sum lent and the associated time period is the same at both ends of the exchange – as, for example, Rs. 100,000 for one year in return for a counter-loan of Rs. 10,000 for 10 years or Rs. 12,500 for 8 years. The banks should not be anticipated to enter into pure lending operations. Loan is obligatory requirement of every person in this world but interest prevails only because it meets the needs of all sectors of society for loans. The mainstream Islamic economists do realize that interest cannot be eliminated unless and until interest-free loan facility is made available to loan seekers. Professor Khurshid Ahmad, without giving any plan or calculations said: “It would take a year to completely transform the domestic debt into the new system, while two to three years in respect of international agreements”.
2. Central bank can conduct its monetary policy by varying Time Multiple ratio in TMCL as it does in the present system by varying interest rate.
3. Malpractices of Islamic banks will cease when they start giving interest-free loans on TMCL basis and earning profits through genuine *Sharia*-compliant modes.
4. Islamic acquiescent products and instruments of finance are interest-free loansie *Qarde Hassan*, *Mudrabah*, *Murabaha* and *Musharakah*. These products can fully meet up the countless and varied requirements of trade, finance and banking.
5. These instruments have yet to be implemented by Islamic banks in their true spirit and when they so so they will certainly meet the Shariah requirements.
7. TMCL is interest-free loan mechanism whereby Islamic banks can commence financial intermediation and perform all commercial banks’ functions.

Meaning of Riba

In simple words Riba means an increase and addition. Riba also means an increase in the principal amount stipulated in loan initial transactions. Hence, any increase in the principal stipulated is prohibited because it falls under the purview of Riba. According to Abu BakrJassas (year) Riba “is a loan given for stipulated period with stipulated increased on the principal payable by the person receiving loan”.

Some Qur'anic Verses Dealing with *Riba*

The holy Quraan, Sura Ar-Rum, dealt with the term *riba* as;²

"And whatever *riba* you give so that it may increase in the wealth of the people, it does not increase with Allah."
[Ar-Rum 30:39]

- According to Surah Al-Nisaa:³

"And because of their charging *riba* while they were prohibited from it." [An-Nisaa 4:161]

- Surah Al-i-'Imran:⁴

"O those who believe do not eat up *riba* doubled and redoubled." [Al-i-'Imran 3:130]

- Surah Al-Baqarah ;⁵

"Those who take interest will not stand but as stands whom the demon has driven crazy by his touch. That is because they have said: 'Trading is but like *riba*'. And Allah has permitted trading and prohibited *riba*. So, whoever receives an advice from his Lord and stops, he is allowed what has passed, and his matter is up to Allah. And the ones who revert back, those are the people of Fire. There they remain forever.

Allah destroys *riba* and nourishes charities. And Allah does not like any sinful disbeliever. Surely those who believe and do good deeds, establish Salah and pay Zakah, have their reward with their Lord, and there is no fear for them, nor shall they grieve.

O those who believe fear Allah and give up what still remains of the *riba* if you are believers. But if you do not, then listen to the declaration of war from Allah and His Messenger. And if you repent, yours is your principal. Neither you wrong, nor be wronged. And if there be one in misery, then deferment till ease. And that you leave it as alms is far better for you, if you really know. And be fearful of a day when you shall be returned to Allah, then everybody shall be paid, in full, what he has earned. And they shall not be wronged." [Al-Baqarah 2:275-281]

How Islamic is Islamic Banking

The risk of both profit & loss is shared in Islamic banking between depositor/investor, bank and fund user. This characteristic of Islamic banks cannot be found in conventional banking system. Following are the four basic rules for Islamic banking and finance;

(1) Sharing of Risk, (2) Trade in Material, (3) Exploitation not allowed, and (4) No fund for morally wrong activities.

Business risk is always shared between partners according to their capital ratio and always predetermined. Materiality means a real business deal must be present. There should be no exploitation of the contracting parties. According to Shariah principle transaction should be financed. Inflation along with unemployment and scarcity can be eradicated through the Profit and loss sharing in Islamic banking (Warde, 2000).

Islamic Banking Industry Progress

وَمَا آتَيْتُم مِّن رِّبَا لِّيَرْبُوَا فِى أَمْوَالِ النَّاسِ فَلَا يَرْبُوَا عِندَ اللَّهِ²

وَأُخْذِهِمُ الرِّبَا وَقَدْ نُهُوا عَنْهُ³

يَتَأْتِيهَا الَّذِينَ ءَامَنُوا لَا تَأْكُلُوا الرِّبَا أَضْعَافًا مُّضَاعَفَةً⁴

الَّذِينَ يَأْكُلُونَ الرِّبَا لَا يَتَغَوَّمُونَ إِلَّا كَمَا يَتَغَوَّمُ الذِّى يَتَخَطَّطُهُ الَّتِي طَبَنُ
مِنَ الْمَسِيءِ ذَلِكَ بِأَنَّهُمْ قَالُوا إِنَّمَا الْبَيْعُ مِثْلُ الرِّبَا وَأَحَلَّ اللَّهُ الْبَيْعَ
وَحَرَّمَ الرِّبَا فَمَن جَاءهُم مَّوعِدَةٌ مِّن رَّبِّهِ فَاذْبَحْهُنَّ قَلْبًا مَّا سَلَفَ وَأَمْرُهُ
إِلَى اللَّهِ وَمَنْ عَادَ فَأُوذِيَ أَصْحَابُ النَّارِ هُمْ فِيهَا خَالِدُونَ ﴿٢٧٥﴾ يَمْحَقُ
اللَّهُ الرِّبَا وَيُرْبِي الصَّدَقَاتِ وَاللَّهُ لَا يُحِبُّ كُلَّ كَفَّارٍ أَثِيمٍ ﴿٢٧٦﴾
إِنَّ الَّذِينَ ءَامَنُوا وَعَمِلُوا الصَّالِحَاتِ وَأَقَامُوا الصَّلَاةَ وَعَاتَوْا الرِّبَا كَوَّاهُمْ
أَجْرَهُمْ عِندَ رَبِّهِمْ وَلَا خَوْفٌ عَلَيْهِمْ وَلَا هُمْ يَحْزَنُونَ ﴿٢٧٧﴾ يَتَأْتِيهَا
الَّذِينَ ءَامَنُوا أَتَقُوا اللَّهَ وَذَرُوا مَا بَقِيَ مِنَ الرِّبَا إِن كُنْتُمْ مُؤْمِنِينَ
﴿٢٧٨﴾ فَإِن لَّمْ تَفْعَلُوا فَأْذَنُوا بِحَرْبٍ مِّنَ اللَّهِ وَرَسُولِهِ وَإِن كُنْتُمْ
رُءُوسِ أَمْوَالِكُمْ لَا تَحْطِلُونَّ وَلَا تَحْطِلُونَّ ﴿٢٧٩﴾ وَإِن كَانَ ذُو عُسْرَةٍ
فَنَظِرَةٌ إِلَىٰ مَيْسَرَةٍ وَأَن تَصَدَّقُوا خَيْرٌ لَّكُمْ إِن كُنْتُمْ تَعْلَمُونَ ﴿٢٨٠﴾
وَأَتَقُوا يَوْمَ تُرْجَعُونَ فِيهِ إِلَى اللَّهِ ثُمَّ تُوَفَّى كُلُّ نَفْسٍ مَّا كَسَبَتْ
وَهُمْ لَا يُظْلَمُونَ ﴿٢٨١﴾

Islamic banking industry (IBI) persistently grows during the 2010-11 with enhanced asset. Islamic banking assets stand at Rs. 560 billion in June 2011, having more than 7 % share of overall banking industries assets. In terms of deposits the industry share of Islamic banking industry was at 7.6% in June 2011. The Return on Assets and Return on Equity of the Islamic banking industry in Pakistan at 1.6% and 16.5% for the first time surpassed the overall banking system averages of 1.4 % and 14.4 % respectively. (SBP Islamic Banking bulletin Apr-Jun 2011)

Table: Industry Process & Market Share

	Islamic Banking Industry Progress			Growth (YoY)			Share in Overall Banking Industry		
	Jun -10	Mar-11	Jun -11	Jun -10	Mar-11	Jun-11	Jun-10	Mar-11	Jun-11
Total Assets	411	497	560	31.3%	33.9%	36.3%	6.1%	6.9%	7.3%
Deposits	330	398	452	38.5%	37.7%	37.1%	6.4%	7.3%	7.6%
Net Financing & Investment	236	374	420	21.5%	63.5%	78.3%	4.6%	6.7%	7.0%
Total Islamic Banking Institutions	19	17	17	-	-	-	-	-	-
Total No. of Branches*	667	759	799	-	-	-	6.9%	7.9%	8.3%

Source: Quarterly Unaudited Accounts

**number includes sub-branches*

Islamic Banking Industry branches Expansion

The branch network of Islamic banking industry has expanded to 799 branches with an increase of 40 branches during 2011. About 63 % of the branch expansion came from Islamic branches of conventional banks. In conventional banks, Faysal Bank was the chief contributor with an addition of 23 branches. Among full-fledged Islamic banks Dubai Islamic Bank and Meezan Bank expanded their network by 9 and 5 branches respectively. Five big cities (Islamabad, Karachi, Lahore, Peshawar & Quetta) have about 57 % of Islamic banking branches and out of these 40 branches, 25 branches were opened in above mentioned five major cities of Pakistan. (SBP Islamic Banking bulletin Apr-Jun 2011)

Asset & Liability Structure

Assets: According to SBP Islamic Banking bulletin for the quarter April-June 2011, Assets of Islamic banking industry reached to Rs. 560 billion by 2011. The growth of Islamic banking branches of conventional banks was higher than that of assets of Islamic Banks. On the other hand, in terms of distribution of assets, Islamic banks still comprise the major share (64 %) of Islamic Banking Industry. The higher growth rate of Islamic Banking Divisions can be explained by the base effect that also helped in improving their share from 35 % to 36 % in total assets of the overall Islamic Banking Industry.

Financing

The financing mode wise data shows that the growth in financing is led by Diminishing Musharka (DM) and Murabaha which growth about 14 % and 4 % respectively. Higher growth rate of DM helped in increasing its share in total financing from 29 % to 32 % while share of all other financing modes shows trivial turn down except Ijara where share declined considerably from 12.4 % to 11.7 %.(SBP Islamic Banking bulletin Apr-Jun 2011)

Table: Financing Mix

	Amount(Rs. Billion)			Share (Percent)		
	Jun-10	Mar-11	Jun-11	Jun-10	Mar-11	Jun-11
Murabaha	72.4	86.1	89.6	44.2	45.4	45
Ijarah	23.8	23.5	23.4	14.5	12.4	11.7
Musharka	6	5.7	5.5	3.6	3	2.8
Mudarba	0.4	0.3	0.3	0.2	0.1	0.1
DM	46.4	55.7	63.3	28.3	29.4	31.8
Salam	3.2	4.8	4.2	2	2.5	2.1
Istisna	6.4	7.6	6.06	3.9	4	3.3
Qarz/ Qarz-e-Hasna	0	0	0	0	0	0
Others	5.4	5.8	6.2	3.3	3	3.1
Total	164.1	189.5	199.2	100	100	100

Investment

Investment of Islamic Banking Industry constantly rises to Rs. 231 billion with a growth of 19 %. This rise in investment is show the way by rise in investment in Federal government securities mainly due to availability of GoP IjaraSukuk; government issued more than Rs. 45 billion Sukuk. (SBP Islamic Banking bulletin Apr-Jun 2011)

Earning & Profitability

With a growth rate of more than 100 %, the profit of Islamic banking industry increased to its peak value of more than Rs. 5 billion in last nine years. Islamic Banks were the main contributors of this significant increase in overall profit of the industry though Islamic Banking Divisions also witnessed more than 100 % increase in their profit. This record profit can be linked to structural shift in assets of Islamic banks with rising share of investment which produces higher returns due to availability of higher yielding GOP IjaraSukuk. This is also indicated by rising financing rate spread of 8.8 % in this quarter compared to 8.4 % in the last quarter. This financing rate spread is significantly higher than the industry average of 6.9 %.

Along with phenomenal growth in profit, return on assets (ROA) and return on equity (ROE) that achieved at par level with overall industry average, continued improving its trend and have surpassed industry averages. However, personnel expense to operating expense as well as operating expense to gross income both ratios though improved from above 62 % to 61 % and from 40 % to 36 % respectively, remain below the industry average. This highlights need for Islamic banks to be more efficient in utilizing their resources. This is important considering that net interest income to gross income is higher (82.6 %) than the overall banking industry average (75.9 %) while non-interest income to gross income is lower than the industry average. (SBP Apr-Jun Quarterly Unaudited Accounts)

Table: Profit (Rs. Billion)

Industry	Indicator	Jun-10	Mar-11	Jun-11
IBI	Profit/(loss) before Taxation	1.7	2.2	5.0
	Profit/Loss after Taxation	1.5	1.8	4.0
IBs	Profit/(loss) before Taxation	0.3	1.1	2.9
	Profit/Loss after Taxation	0.2	0.8	1.9
IBDs	Profit/Loss before Taxation	1.3	1.0	2.1
	Profit/Loss after Taxation	1.3	1.0	2.1

Source: (SBP Apr-Jun2011 Quarterly Unaudited Accounts)

Table: Earning & Profitability

	Jun-10	Mar-11	Jun-11	Industry
Net Income to Total Assets (ROA)	0.80%	1.40%	1.60%	1.40%
Return on Equity (ROE)	6.90%	15.00%	16.50%	14.40%
Net-Interest Income to Gross Income	80.70%	80.80%	82.60%	75.90%
Non-Interest Income to Gross Income	19.30%	19.20%	17.40%	24.10%
Trading &Fx Gains/(Losses) to Gross Income	8.00%	5.90%	5.30%	7.60%
Operating Expense to Gross Income	71.80%	62.30%	60.90%	51.00%
Personnel Expense to Operating Expense	32.10%	36.90%	36.10%	37.20%
Spread Between Financing & Deposit Rate	7.70%	8.40%	8.80%	6.90%

Source: (SBP Apr-Jun 2011 Quarterly Unaudited Accounts)

Literature Review

Islamic Financial Institution offers products & services analogous to those offered by the Conventional banking system but the approaches of Islamic banks are clearly different from the conventional banks (Ahmad, 2000; Chapra, 2000; Dusuki & Abdullah, 2007; Hassan & Ahmed, 2001). Thoughts of consumers towards a service or product are tending by another service or product likeness with the customer attitude (Ekinci and Riley, 2003; Sirgy, 1992; Wang and Heitmeyer, 2005) and).

Demographic Characterisetics and Consumer Attitude

Demography is a important tool in market segmentation to identify/mark the targeted customers and their needs.

It is predominantly important to focus on the most valuable customers of the bank. One method of determining those valuable customers is by utilizing customer demographics. Hansman and Schutjens cited in Stafford (1996) also propose that age is a strong predictor of changes in consumers' attitudes and behavior Kangis and Voukelatos (1997) revealed that younger clients (age 18-24) appreciated good appearance of staff and the lesser queuing time. Young adults (25-34) appreciated the modern equipment, problem solving, eagerness of staff to help, explanations of the services given, kindness, good manners, staff expert knowledge and the branch location. Mature adults (35-45) along with other older age groups, showed inconsistency in their perceptions for most dimensions, other than generally looking for a lessening in queuing time. According to Mathur and Moschis (1994) age is inversely related to credit card use; younger adults use credit cards significantly more than older adults (Stafford, 1996). Owusu-Frimpong (1999) in a study on the investment behavior of Ghanaian bank customers considered age, sex, and occupation as three important variables in the demographic distribution of customers. They found a considerable segment of their customers belonging to the age group of 30 to 50 years of age.

In another study, demographic variables such as gender, age, household income, educational level, and occupation were considered as important towards customers' behavior in adoption of specific banks (Wan, Luk, & Chow, 2005). Cohen (2006) asserted that customers' age groups and level of education contributed to explaining respondents' inclination to keep on with their existing banks. Metwa and Almosawi (1998) in a study on customers' behavior towards Islamic banking considered age, earning/income, education level and nationality as significant socio-demographic variables in behavior of bank customers. In this research study 'age', 'income' and 'education' are considered as important for customers' profiles. Religious principles are an extremely strong basis for customers' adoption of Islamic banking.

Services Attributes and Consumer Attitudes

Islam is a perfect religion in all ways of life. Its teachings regarding providing services or doing work flawlessly can be attributed from the holy Quraan as follows;⁶

“Who perfected everything that He created (read khalqahu, as a past tense functioning as an adjectival qualification [of what He perfected]; or khalqahu, ‘its creation’, as an inclusive substitution [for kullashay’in, ‘everything’]). And He began the creation of man, Adam, from clay”⁷

“Allah has perfected and made each and everything. He is informed and aware of what you do namely, His enemies, do in the way of disobedience, and His friends, in the way of obedience”⁸

“We said: make long coats of mail (complete suits of armour which the person wearing it drags behind him along the ground) and measure the links (thereof), that is, in the weaving of the coats. In other words, make them so that the rings thereof are arranged properly. And act, O family of David, together with him, righteously. Indeed I am Seer of what you do, and will requite you for it accordingly”

Human resources of the Islamic banks have to be valiant in telling their customers accurately when services will be performed, not to take them for granted, indulge in hide and seek, and the circulation of falsehood. Such an attitude diminishes the value which the consumers have for the Islamic bank system. Customers expect that Islamic bank have employees who give quick and prompt service and are always eager to help even if the customers are at fault. Islam prohibits cheating in quantity and quality through the holy Quraan;⁹

“Woe (waylun: a term entailing chastisement; or [it is the name of] a valley in Hell) to the defrauders: those who, when they take measure from people, demand [it] in full, the measure; but [who] when they measure for them or weigh for them, they cause [them] loss, they diminish [for them] the measure or the weight”¹⁰

“And observe the weights with justice, fairly, and do not skimp the balance, [do not] decrease [the value of] what is being weighed”¹¹

“O my people! Give full measure and full weight, fulfill in justice, and do not defraud people in respect of their goods, do not diminish anything of their due, and do not evil in the earth (worsen in the land) working

6 الَّذِي أَحْسَنَ كُلَّ شَيْءٍ خَلَقَهُ وَبَدَأَ خَلْقَ الْإِنْسَانِ مِنْ طِينٍ (السجدة : 7)

7 صَنَعَ اللَّهُ الَّذِي أَنْعَمَ كُلَّ شَيْءٍ إِنَّهُ خَبِيرٌ بِمَا تَفْعَلُونَ (النمل : 88)

8 (سبأ : 11) أَنْ أَعْمَلْ سَابِغَةً وَفَعَّرْتُ فِي السَّرْدِ وَأَعْمَلُوا صَالِحًا إِنِّي بِمَا تَعْمَلُونَ بَصِيرٌ

9 (المطففين : 1-3) وَإِذَا خَالَوْهُمْ أَوْ وُزِنُوا لَهُمْ يُهَيِّبُونَ الَّذِينَ إِذَا أَكْتَلُوا عَلَى النَّاسِ يَسْتَوْفُونَ وَيَلِّ لِلْمُطَفِّفِينَ

10 وَأَقِيمُوا الْوَزْنَ بِالْقِسْطِ وَلَا تُخْسِرُوا الْمِيزَانَ (الرحمن : 9)

11 وَيَقُومُوا أَوْفُوا الْمِكْيَالَ وَالْمِيزَانَ بِالْقِسْطِ وَلَا تَبْخَسُوا النَّاسَ أَشْيَاءَهُمْ وَلَا تُعْتَدُوا فِي الْأَرْضِ مُفْسِدِينَ (هود : 85)

corruption, by killing or otherwise”¹²

Prohibition from Inequity in Quantity and Quality:

“And do not defraud people in their goods, do not diminish anything of what is due to them, and do not be degenerate in the earth, seeking corruption, by killing or otherwise ([ta‘thaw, ‘degenerate’] derives from ‘athiya, meaning afsada, ‘to corrupt’; mufsidīna, ‘seeking corruption’, is a circumstantial qualifier emphasising the import of its operator”

Islam always encourages dealing fairly and says that defects should not be concealed from the buyer.

Prophet Muhammad P.B.U.H said, “If one sells something, he must clarify its defects. And if anyone knows these defects, he must mention them” (Hakim and Baihaqi) .¹³

Prophet Muhammad P.B.U.H passed by a man selling grain, which he admired. He put his hand into it and found it wet. So he said, “What is this, O owner of the grain?” The man replied, “It has been wet with rain.” “The Prophet said, “Why have you not placed it on the surface so that people may see the truth about it? He who deceives us is not one of us.”(Muslim) .¹⁴ Prophet Muhammad P.B.U.H passed by seemingly good food stuff. He put his hand into it and to his surprise he found a bad-quality food item. The Prophet said, “Sell this aside and this aside. He who deceives us is not one of us.”(Ahmad).¹⁵

Religious Belief and Consumer Attitude

The religious conviction is a key factor in the use of Islamic banks products & services. A large portion of Muslims believe that there is no significant difference between the products & services offered by Islamic banks to that of Conventional banks. The implication that is driven from the empirical evidence of the previous research papers is that “profit maximization” should not be the primary goal of Islamic banks; rather they must aim at promoting Islamic norms and values to achieve the economic objectives as prescribed by “Shariah”. “Religion is a significant ingredient to describe a bunch of beliefs. It is additional to ecology of themes for social communication rather it is a specific way of communicating. It is not only a cultural arbitrariness, but is also systematic. Religion not only lies in its aptitude for demarcation of people, but also lies in its capability to organize and lend meaning to everyday local world of interface” (Smithe and Haq, 2003). The Islamic Scholars of Pakistan played a vital role in supporting Islamic business & finance. They spread the knowledge and educated the world about trade, business, and finance according to shariah principles. One of these is a distinguished personality of Mufti TaqiUsmani. He is the chairman and Permanent member of Islamic Fiqah AcademyJeddah, Vice Principal of DarulUloom Karachi, Chairman of Shari'a Standard Council of Accounting and Auditing Organization of Islamic Financial InstitutionsBahrain, Charmain of Shariah Board of Central Bank of Bahrain, Amana Investments Limited, Sri Lanka, Abu Dhabi Islamic BankUAE, Guidance Financial GroupUSA as well as the Chairman of Shariah Boards of Meezan BankPakistan, Bank Islami Pakistan Limited, Jamiat-ul-Ulama USA and Pak Qatar Takaful. In the 90's a very small number of Pakistani knew about Musharaka and Mudharba. However, due to efforts of these Scholars, majority of Pakistanis know about these as well as other Islamic financial terminologies. The people of Pakistan have strong religious beliefs as more than 97% of them form the Muslim majority people elect Islamic Ideology/Religious candidates for provincial and federal assemblies of the country. This shows the Islamic trend of Pakistani nationals towards their religion.

Ethics is not only a part but an ingredient of Islamic finance. That's why we say it an ethical finance. Yousef (2001, p. 153) summarizes some principles of the “Islamic work ethic” based on the holy Quran, and sayings of the prophet Muhammad (SAW) as:

- Hard work
- Truthfulness and fairness in trade & business
- Impartial and fair division of wealth among the people
- Encouraging humans to get hold of technology and professional skills
- Commitment to work of a desirable quality

¹² وَلَا تَبْخَسُوا النَّاسَ أَشْيَاءَهُمْ وَلَا تُعْثُوا فِي الْأَرْضِ مَقْسِيْنَ (الشعراء : 183)

قال رسول الله صلى الله عليه وسلم :

¹³ لا يحل لأحد يبيع ببعاً إلا بيقن ما فيه، ولا يحل لمن يعلم ذلك إلا بيئته (رواه الحاكم والبيهقي)

¹⁴ من الرسول محمد صلى الله عليه وسلم برجل يبيع حبوباً فأعجبه، فأدخل يده فيه فرأى بلالاً، فقال : ما هذا يا صاحب الطعام؟ فقال : أصابته السماء فقال الرسول : فهلا جعلته فوق الطعام حتى يراه الناس، من غشنا فليس منا (رواه مسلم)

¹⁵ من الرسول محمد صلى الله عليه وسلم بطعام حسن ، فوضع يده فإذا هو رديء؛فقال الرسول : بع هذا على حدة، وهذا على حدة، من غشنا فليس منا (رواه أحمد)

- Stress on innovative activities as a source of contentment and achievement
- Commitment in furthering economic activities.

Islamic Finance can be divided into two parts; one for welfare of the society and other for earning profit under the Islamic Shariah ideology, since,

"The very objective of the Shariah is to promote the welfare of the people, which lies in safeguarding their faith, their life, their intellect, their posterity and their wealth. Whatever ensures the safeguarding of these five serves public interest and is desirable" (Al-Ghazali, Ihya-ul-uloom)

And,

"The basis of the Shariah is wisdom and welfare of the people in this world as well as the Hereafter. This welfare lies in complete justice, mercy, well-being and wisdom. Anything that departs from justice to oppression, from mercy to harshness, from welfare to misery and from wisdom to folly, has nothing to do with the Shariah" (Ibn al-Qayyim,).

In conventional banks, the principal alongwith markup has to be recovered whereas in Islamic Banking, only principal amount is recovered. If one is unable to pay, the conventional bank recovers the principal alongwith markup and late payment charges by using some forceful mafia whereas the concept of loan recovery in Islamic finance is different. The Holly Quran says;¹⁶

Al- Baqara ,Ayats no 279 and 280,¹⁷

"If you do it not (i.e not observing your duty to Allah and give up due to you from usury) then be warned of war (against you) from Allah and His Messenger. But if you turn back (repent), you shall have your principal (without interest). Deal not unjustly, and you shall not be dealt with unjustly" (279).

And,"if the debtor is in straitened circumstances (difficulty), then grant him time (postpone) till it is easy for him to repay and if ye remit it by way of charity, that is best for you if ye did but only know" (280).

Hazrat IbnMasud Radiallahu Anhu narrates that the Prophet of Allah Sallallahu Alahi Wasalam, said: "Every two loans extended by a Muslim to another count as one charitable paymen." (SunanIbnMajah)

Hazrat Abu HurayrahRadiallahuAnhu narrates that the Prophet SallallahuAlahiWasalam, said:

"whoever relieves the hardship of a Muslim in this life, Allah will relieve one of his hardship on the day of judgement; and whoever eases a financial difficulty for a Muslim, Allah will relieve his difficulties in this life and the hereafter..." (Sahih Muslim &SunanAbiDawud).

Islam emphasis on Generosity and Leniency;

- Hazrat Muhammad (sws) invokes Allah's mercy :
- May Allah's forgiveness be on the person who is soft in his buying, selling and in demanding back his money or debts (*Bukhari*, No: 1934).
- The loaner / creditor should always be trouble-free and generous in demanding back his receivable money.
- The debtor should also give back the debt/loan to the creditor on time with due thanks and graciousness.
- The Prophet Muhammad (sws) was the best of all people in repaying the debts and loans.

Islamic Financial Stability

Examples like the downfall of Lehman Brothers, one of the leading companies of the Wall Street, in the face of financial crises and economic downturn is in front of us. Islamic banks have the benefit of handling economic downturns, as instead of paying interest to depositors, those with deposits/investment in Mudaraba or Musharaka accounts share in the bank's profits. If banks' profitability declines, depositors will be eligible for lower returns, while if banks earn more on deposits, depositors will get higher profits on their deposits. This profit sharing reduces risk for the banks and makes them less likely to become insolvent. However as the banks build up a profit equalization reserve, which can be used to finance pay-outs during difficult years, depositors benefit from some protection of their profit/ returns during economic downturns. Investors in equities screened for shariah compliance have also suffered in the present crises, but less than their conventional counterparts, because they have not invested in the shares of interest based banks which have fared particularly poor during the global

16 هَإِن لَّمْ تَقْعَلُوا فَاذْنُوا بِحَرْبٍ مِّنَ اللَّهِ وَرَسُولِهِ وَإِن تُبْشِرُوا فَاذْنُوا
أَمْوَالِكُمْ لَا تَحْطَمُونَ وَلَا تُظْلَمُونَ ﴿٢٨٠﴾

17 وَإِن كَانَ ذُو عُسْرٍ فَاْتُمْرَةً إِلَىٰ مَيْسَرَةٍ وَأَن تَصَدَّقُوا خَيْرٌ
لَّكُمْ إِن كُنْتُمْ تَعْلَمُونَ ﴿٢٨١﴾

financial chaos.

Islamic Financial Institutions deal in the real sector i.e. in trade of goods and services. Imam Al-Ghazzali (d.505 A.H.), a prominent jurist and philosopher of the Islamic history, has discussed the nature of money in an early period when the Western theories of money were non-existent. He says:

"The creation of dirhams and dinars (money) is one of the blessings of Allah.... They are stones having no intrinsic usufruct or utility, but all human beings need them, because everybody needs a large number of commodities for his eating, wearing etc, and often he does not have what he needs and does have what he needs not. Therefore, the transactions of exchange are inevitable. But there must be a measure on the basis of which price can be determined, because the exchanged commodities are neither of the same type, nor of the same measure which can determine how much quantity of one commodity is a just price for another. Therefore, all these commodities need a mediator to judge their exact value.... Allah Almighty has, therefore, created dirhams and dinars (money) as judges and mediators between all commodities so that all objects of wealth are measured through them... and their being the measure of the value of all commodities is based on the fact that they are not an objective in themselves. Had they been an objective in themselves, one could have a specific purpose for keeping them which might have given them more importance according to his intention while the one who had no such purpose would have not given them such importance and thus the whole system would have been disturbed. That is why Allah has created them, so that they may be circulated between hands and act as a fair judge between different commodities and work as a medium to acquire other things.... So, the one who owns them is as he owns everything, unlike the one who owns a cloth, because he owns only a cloth, therefore, if he needs food, the owner of the food may not be interested in exchanging his food for cloth, because he may need an animal for example. Therefore, there was needed a thing which in its appearance is nothing, but in its essence is everything. The thing which has no particular form may have different forms in relation to other things like a mirror which has no color, but it reflects every color. The same is the case of money. It is not an objective in itself, but it is an instrument to lead to all objectives..."

So, the one who is using money in a manner contrary to its basic purpose is, in fact, disregarding the blessings of Allah. Consequently, whoever hoards money is doing injustice to it and is defeating their actual purpose. He is like the one who detains a ruler in a prison...

And whoever effects the transactions of interest on money is, in fact, discarding the blessing of Allah and is committing injustice, because money is created for some other things, not for itself. So, the one who has started trading in money itself has made it an objective contrary to the original wisdom behind its creation, because it is injustice to use money for a purpose other than what it was created for.... If it is allowed for him to trade in money itself, money will become his ultimate goal and will remain detained with him like hoarded money. And imprisoning a ruler or restricting a postman from conveying messages is nothing but injustice" (Ihya-ul-uloom, Vol 4, page 88, Cairo 1939)

Imam Al-Ghazzali, has taken the concept of "medium of exchange" to its logical end. He has concluded that any trade of money in exchange for money of the same denomination is not an instrument of generating profit by such trade/exchange.

During the awful misery of 1930s, an "Economic Crisis Committee" was formed by Southampton Chamber of Commerce in January 1933. The Committee consisted of ten members headed by Mr. E. Dennis Mundy. In its report the committee had discussed the root causes of the calamitous depression in national and international trade and had suggested different measures to overcome the problem. After discussing the pitfalls of the existing financial system, one of the committee's recommendations was that:

"In order to ensure that money performs its true function of operating as a means of exchange and distribution, it is desirable that it should cease to be traded as a commodity" (The report of Economics crises Committee "Southampton Chamber of Commerce, 1933 part 3, (iii) para 2).

Prof. John Gray, in his recent work "False Dawn" has remarked as follows:

"Most significantly, perhaps transactions on foreign exchange markets have now reached the astonishing sum of around \$1.2 trillion a day, over fifty times the level of the world trade. Around 95 percent of these transactions are speculative in nature, many using complex new derivative's financial instruments based on futures and options. According to Michael Albert, the daily volume of transactions on the foreign exchange markets of the world holds some \$900 billion - equal to France's annual GDP and some \$200 million more than the total foreign currency reserves of the world central banks" (The delusions of capitalism Grunte books London, 1998 p62).

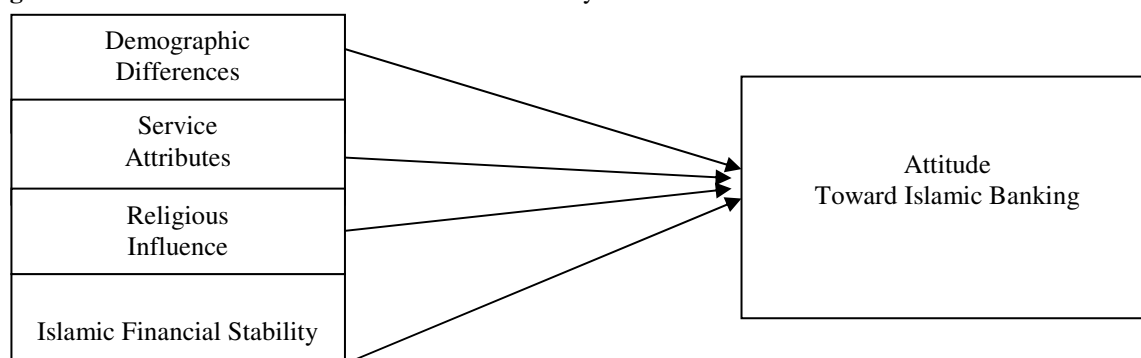
All these researches of modern age and historic jurists, revealed that Islamic financial system is always based on real trade. Therefore, the Islamic financial institution are considered to be more financially stable as compared to other conventional banking institutions as Islamic banks deal on profit and loss basis. If they earn more, investors or their depositors will get benefit of higher profits and in case of loss the same can be shifted to the depositors, keeping bank financially stable.

Equity-based banking is not proposed by the Islamic financial institution only but also being recommended by the conventional ideologist/economists on solely economic basis. The anxiety, discrimination, malpractice, insecurity and heavy business losses shaped by the current debt-based financial system have themselves forced on the thinking for an equity-based system having additional potential for introducing/running distributive justice and stability. Depositors/investors in equity-based banking are anticipated to get much more profit.

Theoretical Framework

Pakistan is one of progressive and developing Muslim countries. This research study emphasizes on the theoretical and conceptual structure of attitudinal differences of Pakistani customers towards Islamic Banking system in the country. The independent variables like customers' demographic differences; service attributes, religious beliefs and Islamic banks financial stability are important factors. This study reveals that independent variables are positively related to the consumers' attitudes toward Islamic banks.

Figure 1.1: Theoretical framework of this research study



Methodology

For this research study a standard structured questionnaire was constructed and distributed to assemble the essential data related to attitudinal differences of consumers' in Pakistan. According to Deng and Dart, 1994 "Research is a continuous process of generating items and assessing their representativeness from the text". There were four parts of this survey questionnaire. First part of the questionnaire dealt with demographic information of the respondents which include gender, age, qualification, income level, and family background. The second part related to the respondents' beliefs and attitudes towards Islamic banking. Third part of the survey study in %age the share of responsibility of lesser popularity of Islamic Banking, while the fourth part covered the recommendations of the participants which were sought to assist in enhancing Islamic Banking applications and operations. A stratified random sampling method was used in this research study to gather the data from the respondents. This sampling procedure was based on Sekaran's (2003) interpretation as: "this sampling technique is the most efficient when differentiated information is needed regarding various strata within the population". Data was collected from major cities like Peshawar, Lahore, Rawalpindi and Islamabad. The survey was conducted primarily through face-to-face and telephonic interview. A sample size of 200 was found to be adequate for this study. Proportion of sample size was very small in relation to the actual population of Pakistan but was expected to provide generalizable findings. Roscoe (1975) proposed a rule of thumb for decisive sample size that: "if the sample size is larger than 30 and less than 500, it is deemed to be appropriate for most research studies" (p 163). The survey was conducted on different days of the week and the questionnaire distribution and data collection was carried out during November and December 2011. For this research study, only those respondents/ participants were selected who indicated their concerns about Islamic banking. Out of the 200 possible respondents, 170 questionnaires were received. The process was not very smooth and the respondents needed to be reminded regularly to complete the questionnaire. Received questionnaires were screened for errors, incomplete or missing responses. Those responses that had more than 25% of the questions in the survey questionnaire left unanswered or incorrectly answered were discarded and eliminated from the process of data analysis. After the final screening process, 156 responses were effectively considered *complete and valid* for data analysis. This represents a success rate of 78%, which can be considered to be good in view of the time and cost constraints.

Results and Discussion

The results of the study are demonstrated and discussed in this section. SPSS statistical tool was used to obtain the results. Frequency analysis and descriptive analysis were used to measure the attitudes of Pakistani customers regarding Islamic banking. The responses of grouping variables are measured through independent sample t-test, while ANOVA test was also used to measure the responses. The first table demonstrates the

frequency analysis of the demographic profile of the respondents. The second table illustrates the independent sample t-test.

Table 1: Demographic Profile of the Study

Description		Frequency	Percent
Gender	Male	102	65
	Female	54	35
Family Background	Rural	72	46
	Urban	84	54
Age	25-30 years	57	37
	31-35 years	39	25
	36-40 years	32	21
	41 years and above	28	17
Qualification	Inter level	12	8
	Bachelor Level	61	39
	Masters level	80	51
	PHD	3	2
Experience	1-5 years	69	44
	6-10 years	43	28
	11-15 years	22	14
	16 years and above	22	14
Organization	Banking Institution	14	9
	Academic Institution	79	51
	Others Institutions	63	40
	Total	156	100

The above table demonstrates the demographic analysis of the survey respondents in terms of frequencies and percentages. The results inform that out of total (156) respondents, the participation of male respondents was 65% (102), while that of female participants was 35% (54). The results further illustrate that most of the respondents belong to urban areas with the response rate of 54% (84), whereas 46% (72) respondents belong to rural areas. It is clear that most of the Islamic banks customers belonged to the urban areas. Respondents between age group of 25-30 represented 37 % (57), 25 % (39) were between 31-35 years, while 21 % (32) were between 36-40 years of age. It is evident from the results that most of the survey participants have their age between 25-30 years. The results demonstrate that out of total (156), 51 % (80) of the respondents hold master degrees whereas, 39 % (61) of the respondents possess bachelor degree. The results also reveal that 8% (12) respondents have intermediate education level. It is evident that majority of the survey respondents have master degree qualification. The results further divulge that out of the total (156) survey respondents 44 % (69) respondents have experience between 1-5 years, 28 % (43) respondents have work experiences ranging between of 6-10 years, 14 % (22) participants have experience of 11-15 years and 14 % (22) participants of 16 years and above. It is obvious from the results that most of the survey subjects have experience level of 1-5 years. The results of the study further reveal that 51% (79) of the respondents belongs to academic institutions whereas, 40% (63) of the survey subjects belongs to other institutions, signifying a majority of respondents belonging to academic institutions.

Table 2: Independent Sample t-test

Descriptions	Male		Female		Levene's Test			
	Mean	SD	Mean	SD	F-stat	Sig	t-stat	Sig
Services Attributes	3.1667	0.69058	3.09259	0.65209	1.285	0.133	1.65	0.030
Religious Influences	3.4216	0.70971	3.31111	0.59611	5.267	0.023	1.674	0.010
Islamic financial stability	3.1588	0.8184	3.05556	0.59611	1.724	0.01	1.026	0.021
	Rural		Urban					
Services Attributes	3.2222	0.58676	3.07143	0.74098	1.022	0.883	1.392	0.020
Religious Influences	3.4306	0.70863	3.33571	0.64838	1.313	0.578	1.247	0.012
Islamic financial stability	3.1417	0.73996	3.07143	0.75707	1.432	0.233	1.974	0.041

The results in the above table 2 reveals Levene's test for equality of variance, mean, standard deviation,

t-stat and related possibility values. The independent sample t-test is executed with the aim to establish mean of perceived learning Services Attributes, Religious Influences, and Islamic financial stability among people lives in rural and urban areas and male and female genders. After securing the equal variance assumption by the means of Levene's test of equality of variance ($F=1.285, P=.133$) test of independent samples was carried out. The results provided mean values of males ($Mean=3.16, SD=.69$) and mean values of females ($Mean=3.09, SD=.65$) revealing that the male respondents believed that Islamic banks have modern looking equipment, visually appealing physical facilities, easy to access to account information, and customer friendly staff. The statistical results of the independent sample t-test demonstrate that the perceptions of male respondents regarding Islamic banks have modern looking equipment, visually appealing physical facilities, easy to access to account information, and customer friendly staff are significantly different from those of female respondents ($t=1.65, p<.05$). The mean values of male ($Mean=3.42, SD=.70$) and the mean values of female ($Mean=3.31, SD=.59$) reveals that the male respondents realizes more regarding religious influences, following of Islamic law and principles, and religious and profitability reasons. The statistical results of the independent sample t-test demonstrate that the perceptions of male respondents regarding religious influences, following of Islamic law and principles, and religious and profitability reasons are considerably dissimilar from those of female respondents ($t= 1.674, p<.05$). The results also demonstrate that the mean values of male respondents ($Mean=3.15, SD=.81$) and the mean values of female ($Mean=3.05, SD=.59$) depict that male survey subjects perceive more regarding Islamic financial stability of banks, secured transactions, provision of profit-sharing investment product, and financial stability of Islamic Banks. The statistical results of the independent sample t-test demonstrate that the perceptions of male respondents regarding Islamic financial stability of banks, secured transactions, provision of profit-sharing investment product and financial stability of Islamic banks are significantly different from female survey subjects ($t= 1.026, p<.05$). After securing the equal variance assumption by the means of Levene's test of equality of variance ($F=1.022, P=.883$) test of independent sample's was carried out. The mean values of rural areas respondents ($Mean=3.22, SD=.58$) and the mean values of urban areas respondents ($Mean=3.07, SD=.74$) reveals that the rural areas respondents realize more that Islamic banks have modern looking equipment, visually appealing physical facilities, easy to access to account information, and customers friendly staff. The statistical results of the independent sample t-test demonstrate that the perceptions of rural areas respondents regarding Islamic banks have modern looking equipment, visually appealing physical facilities, easy to access to account information, and staff treating customers in a friendly manner are significantly different from those of urban areas respondents ($t=1.392, p<.05$). The mean values of rural areas respondents ($Mean=3.43, SD=.70$) and the mean values of urban areas respondents ($Mean=3.33, SD=.64$) reveal that the rural areas respondents realize more regarding religious influences, following of Islamic law and principles, and religious and profitability reasons. The statistical results of the independent sample t-test demonstrate that the perceptions of rural areas respondents regarding religious influences, following of Islamic law and principles, and religious and profitability reasons are considerably dissimilar from those of urban areas respondents ($t= 1.247, p<.05$). The results also demonstrate that the mean values of rural areas respondents ($Mean=3.14, SD=.73$) and the mean values of urban areas respondents ($Mean=3.07, SD=.75$) depict that rural areas survey subjects perceive more regarding Islamic financial stability of banks, secured transactions, provision of profit-sharing investment product, and financial stability of Islamic Banks.

Table 3: ANOVA of Services Attitudes with respect to Age, Qualification, Experience, and Organization type

	Services Attributes	N	Mean	SD	F	Sig
Age	25-30 years	57	3.00	0.71	1.804	0.06
	31-35 years	39	2.97	0.74		
	36-40 years	35	3.31	0.53		
	41 years and above	25	3.48	0.51		
Qualification	Inter level	12	3.13	0.65	1.463	0.07
	Bachelor Level	61	3.26	0.60		
	Masters level	80	3.36	0.70		
	PHD	3	2.00	-		
Experience	1-5 years	69	3.03	0.66	1.834	0.10
	6-10 years	43	3.07	0.67		
	11-15 years	22	3.36	0.58		
	16 years and above	22	3.41	0.73		
Organization Type	Banking Institution	14	3.00	0.78	1.465	0.23
	Academic Institution	79	3.33	0.54		
	Others Institutions	63	3.01	0.72		
	Total	156	3.14	0.68		

Table 3 demonstrates the analysis of variance test of services attitudes with respect to different age

groups, qualifications, experience levels, and organization type. The mean value (Mean=3, SD=.71) of the age groups (25-30 years) indicates that they tends to agree and profess more regarding Islamic banks having modern looking equipment, visually appealing physical facilities, easy to access to account information, and staff treating customers in a friendly manner whereas, the mean value (Mean=2.97, SD=.74) of the age group (31-35 years) reveals that this particular age group tends towards agreement regarding the services attributes of Islamic banks. The mean value of (Mean= 3.31, SD=.53) of the age group (36-40 years) signifies that this age groups tends toward accord with others age groups and perceives services attitudes of Islamic banks whereas, the mean value (Mean= 3.48, SD=.51) of the age group (41 years and above) reveals that the said age groups response toward services attitudes are in accord with the other age groups and they profess services attitudes of Islamic banks. The statistics ($F= 1.804, P>.05$) denotes that the perceptions of survey subjects across different age levels of respondents is constant and there are no statistically significant differences.

The purpose of the analysis demonstrates the perception of employees in the organization regarding their qualification level. The mean value (Mean=3.26, SD=0.60) of the Bachelor degree educational indicates that they tends to agree regarding Islamic banks have modern looking equipment, visually appealing physical facilities, easy to access to account information, and staff treating customers in a friendly manner whereas, the mean value (Mean= 3.36, SD=0.70) of the master degree educational level reveals that this particular educational level tends towards agreement about the services attributes in Islamic banks. The statistics ($F= 1.463, P>.05$) denotes that the perceptions of survey subjects across different educational levels of respondents is constant and there are no statistically significant differences.

The purpose of the analysis shows the observation of employees in the organization regarding their experience level. The mean value (Mean= 3.36, SD=0.58) of the 11-15 years experience level indicates that they tends to agree regarding Islamic banks have modern looking equipment, visually appealing physical facilities, easy to access to account information, and staff treating customers in a friendly manner whereas, the mean value (Mean= 3.41, SD=0.73) of the 16 years and above experience level reveals that this particular experience level tends toward agreement about the services attributes in Islamic banks. The statistics ($F= 1.834, P>.05$) denotes that the perceptions of survey subjects across different experience levels of respondents is constant and there is no statistically significant differences.

The mean value (Mean= 3.33, SD=0.54) of the academic organization indicates that they tend to agree more regarding Islamic banks having modern looking equipment, visually appealing physical facilities, easy to access to account information, and staff treating customers in a friendly manner whereas, the mean value of banking institutions (Mean= 3.01, SD=0.72) demonstrate that these organization types tend to agree more about services attributes in Islamic banks. The statistics ($F= 1.465, P>.05$) denote that the perceptions of survey subjects across different organization/industry levels of respondents is constant and there is no statistically significant differences.

Table 4: ANOVA of Religious Influence with respect to Age, Qualification, Experience, and Organization type

Religious Influence		Sample	Mean	SD	F	Sig
Age	25-30 years	57	3.30	0.76	1.261	0.064
	31-35 years	39	3.41	0.68		
	36-40 years	35	3.69	0.53		
	41 years and above	25	3.76	0.52		
Qualification	Inter level	12	3.67	0.49	1.908	0.117
	Bachelor Level	61	3.36	0.71		
	Masters level	80	3.58	0.67		
	PHD	3	3.00	-		
Experience	1-5 years	69	3.32	0.72	1.518	0.077
	6-10 years	43	3.51	0.70		
	11-15 years	22	3.77	0.43		
	16 years and above	22	3.68	0.57		
Organization Type	Banking Institution	14	3.36	0.74	1.475	0.103
	Academic Institution	79	3.47	0.68		
	Others Institutions	63	3.54	0.67		
	Total	156	3.49	0.68		

The above table 4 demonstrates the analysis of variance test of religious influences with respect to different age groups, qualifications, experience levels, and organization type. The mean value (Mean=3.30, SD=.76) of the age groups (25-30 years) indicates that they tends to agree and profess more regarding religious influences, following of Islamic law and principles, and religious and profitability reasons whereas, the mean value (Mean=3.41, SD=0.68) of the age group (31-35 years) reveals that this particular age group tends towards

agreement regarding the services attributes of Islamic banks. The mean value of (Mean= 3.69, SD=.53) of the age group (36-40 years) signifies that this age groups tends toward accords with others age groups and perceives religious influences of Islamic banks whereas, the mean value (Mean= 3.76, SD=.52) of the age group (41years and above) reveals that the said age groups response toward religious influences are in accords with the other age groups and they profess religious influences of Islamic banks. The statistics ($F= 1.261, P>.05$) denotes that the perceptions of survey subjects across different age levels of respondents is constant and there are no statistically significant differences.

The purpose of the analysis demonstrates the perception of employees in the organization regarding their qualification level. The mean value (Mean=3.36, SD=0.70) of the bachelor degree educational indicates that they tends to agree regarding religious influences, following of Islamic law and principles, and religious and profitability reasons whereas, the mean value (Mean= 3.58, SD=0.67) of the master degree educational level reveals that this particular educational level tends towards agreement about the religious influences of Islamic banks. The statistics ($F= 1.908, P>.05$) denotes that the perceptions of survey subjects across different educational levels of respondents is constant and there is no statistically significant differences.

The purpose of the analysis shows the observation of employees in the organization regarding their experience level. The mean value (Mean= 3.77, SD=0.43) of the 11-15 years experience level indicates that they tend to agree regarding religious influences, following of Islamic law and principles, and religious and profitability reasons whereas, the mean value (Mean= 3.68, SD=0.57) of the 16 years and above experience level reveals that this particular experience level tends towards agreement about the religious influences in Islamic banks. The statistics ($F= 1.518, P>.05$) denotes that the perceptions of survey subjects across different experience levels of respondents is constant and there are no statistically significant differences.

The mean value (Mean= 3.47, SD=0.68) of the academic organization indicates that they tends to agree more regarding Islamic banks having modern looking equipment, visually appealing physical facilities, easy to access to account information, and staff treating customers in a friendly manner whereas, the mean value of banking institutions (Mean= 3.36, SD=0.74) demonstrate that these organization types tend to agree more about religious influences in Islamic banks. The statistics ($F= 1.475, P>.05$) denotes that the perceptions of survey subjects across different organization/industry levels of respondents is constant and there is no statistically significant differences.

Table 5: ANOVA of Islamic financial Stability with respect to Age, Qualification, Experience, and Organization type

Islamic financial Stability		Sample	Mean	SD	F	Sig
Age	25-30 years	57	3.02	0.83	1.787	0.140
	31-35 years	39	2.82	0.82		
	36-40 years	35	3.26	0.56		
	41 years and above	25	3.24	0.52		
Qualification	Inter level	12	2.92	0.67	1.845	0.14
	Bachelor Level	61	3.18	0.76		
	Masters level	80	3.03	0.73		
	PHD	3	2.00	-		
Experience	1-5 years	69	3.03	0.80	1.734	0.065
	6-10 years	43	2.86	0.68		
	11-15 years	22	3.36	0.58		
	16 years and above	22	3.23	0.75		
Organization Type	Banking Institution	14	3.16	0.60	1.021	0.363
	Academic Institution	79	3.00	0.83		
	Others Institutions	63	2.93	0.83		
	Total	156	3.06	0.75		

Table 5 demonstrates the analysis of variance test of Islamic financial stability with respect to different age groups, qualifications, experience levels, and organization type. The mean value (Mean=3.02, SD=0.83) of the age groups (25-30 years) indicates that they tend to agree and profess more regarding Islamic financial stability of banks, secured transactions, provision of profit-sharing investment product, and financial stability of Islamic Banks whereas, the mean value (Mean=2.82, SD=0.82) of the age group (31-35 years) reveals that this particular age group tends towards agreement regarding the Islamic financial stability of Islamic banks. The mean value of (Mean= 3.26, SD=.56) of the age group (36-40 years) signifies that this age groups tends toward accords with others age groups and perceives Islamic financial stability of Islamic banks whereas, the mean value (Mean= 3.24, SD=.52) of the age group (41years and above) reveals that the said age groups response toward Islamic financial stability are in accords with the other age groups and they profess Islamic financial stability of Islamic banks. The statistics ($F= 1.787, P>.05$) denotes that the perceptions of survey subjects across

different age levels of respondents is constant and there is no statistically significant differences.

The purpose of the analysis demonstrates the perception of employees in the organization regarding their qualification level. The mean value (Mean=3.18, SD=0.76) of the bachelor degree educational indicates that they tends to agree regarding Islamic financial stability of banks, secured transactions, provision of profit-sharing investment product, and financial stability of Islamic Banks whereas, the mean value (Mean= 3.03, SD=0.73) of the master degree educational level reveals that this particular educational level tends towards agreement about the Islamic financial stability in Islamic banks. The statistics ($F= 1.845, P>.05$) denotes that the perceptions of survey subjects across different educational levels of respondents is constant and there are no statistically significant differences.

The purpose of the analysis shows the observation of employees in the organization regarding their experience level. The mean value (Mean= 3.36, SD=0.58) of the 11-15 years experience level indicates that they tends to agree regarding Islamic financial stability of banks, secured transactions, provision of profit-sharing investment product, and financial stability of Islamic Banks whereas, the mean value (Mean= 3.23, SD=0.75) of the 16 years and above experience level reveals that this particular experience level tends towards agreement about the Islamic financial stability of Islamic banks. The statistics ($F= 1.734, P>.05$) denotes that the perceptions of survey subjects across different experience levels of respondents is constant and there is no statistically significant differences.

The mean value (Mean= 3, SD=0.83) of the academic organization indicates that they tends to agree more regarding Islamic financial stability of banks, secured transactions, provision of profit-sharing investment product, and financial stability of Islamic Banks whereas, the mean value of banking institutions (Mean= 3.16, SD=0.60) demonstrate that these organization type tends to agree more about Islamic financial stability of Islamic banks. The statistics ($F= 1.021, P>.05$) denotes that the perceptions of survey subjects across different organization/industry levels of respondents is constant and there are no statistically significant differences.

Conclusion

This study effectively demarcates observed evidence on the customers' attitudes towards Islamic banking services in Pakistan. Islamic banking system expanding in Pakistan at a very fast growth rate but at same time facing a tough competition from conventional banking system as well as a wide range of customers' perceptions difference and their expectations for a shariah based banking services. The results obtained through this study were encouraging in numerous perspectives. In this study, the gender is a measurable variable along with other independent variables and shows that the males have greater positive attitude towards Islamic Banking in Pakistan. This research study had done ground work for the future research studies to be directed towards examining these attitudes of customers' regarding Islamic banking services. The results findings of this research study provide the key steps in decision making by Islamic banks. It is also indispensable that the government, SBP and, as well as, the Islamic banking authorities have to take action plans heading for spreading the culture of Islamic banking via specialized courses and organized seminars. Furthermore, it is concluded that the management of Islamic banking should concentrate more on customers' awareness and satisfaction regarding purely shariah based banking services to enhance as well as retain their customers.

Limitations of this study

One likely limitation of this research study was the size and composition of the group which take part in the study. For that reason, a generalization about the entire population of Pakistan banking customers is inappropriate. Furthermore, this research could not include all levels of diverse attributes of Islamic banking that might influence customers' attitude towards Islamic banking. This research questionnaire could not include specific scheme of Islamic banking to know the customers' attitude on that scheme. Finally, this study only considered the specific segments of the customers' thinking about the Islamic banking in Pakistan and it was assumed that respondents appropriately understood the term "Islamic banking" and could differentiate it from the "conventional banking". With such limitations, findings of this study must not be used as generalized thoughts, rather a scope for further investigations toward expanded research.

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