

Factors Influencing the Perception of Customers in Islamic Banking: A Case Study in Pakistan

NAEEM AKHTAR

Lecturer; Department of Management Sciences
University of Okara (Punjab), Pakistan.
E-mail: naeem_akhtar46@hotmail.com

MUHAMMAD TOQEER MEHMOOD

Student of MBA; Department of Management Sciences
University of Okara (Punjab), Pakistan.
E-mail: toqeermehmood@outlook.com

MUHAMMAD ZEESHAN PERVEZ

Student of MBA; Department of Management Sciences
University of Okara (Punjab), Pakistan.
E-mail: zeeshantahirch@gmail.com

FAROOQ ASLAM

Student of MBA; Department of Management Sciences
University of Okara (Punjab), Pakistan.
E-mail: farooq1031@gmail.com

HAFIZ MUHAMMAD AZEEM AKHTAR

BS (Mechanical Technology); Department of Applied Technology
Institute of Southern Punjab, Multan, Pakistan.
E-mail: hafizazeem75@gmail.com

Abstract

The Islamic banking system was start in 1963 in Malaysia. But this banking system not success due to certain factors like awareness regarding Islamic banking system. Than new Islamic bank Dubi Islamic bank was established in 1975.today approximately 100 bank are operate without interest. But the market share of Islamic bank as compared to conventional bank is low. The reasons of this research is to check the impact of religion ,awareness regarding financial teaching of Islam, awareness regarding IB product and service ,advertising, reputation , networking on the perception of customers in Islamic banking system in Pakistan. For this purpose survey is used which consist of 150 Muslims respondent in different Islamic bank in Pakistan. Result of this study indicates that there is a significant perception criterion regarding Islamic banking. The most important factors which effect on the perception of customers in Islamic banking are religion, awareness regarding financial teaching of Islam, awareness regarding IB product and service, advertising, networking. The data is analyzed by using SPSS software version 16.0. Mostly respondent know about the IB product and service they are not used these product and service. mostly study indicate that there is need to educate the people about IB product and service and IBS are required to more work for the competition with conventional banking system in Pakistan.

Key Words: Islamic Banking, Inflencing Factors, Perception, Customers.

Introduction

In the present era bank play important rule in the development and flourish of the businesses in all countries. The Islamic bank is separate from conventional banking system. The Islamic banking system is totally based on Islam and working according to its teaching. The concept of Islamic bank is not found in commercial banking system. Because the Islamic bank system is operate according to rule and regulation of sharia (Islamic law). In 1963 the first Islamic bank was established in Malaysia. In fact first time the performance of Islamic bank is tasted but it cannot achieve its objective due to poor planning of management (Kashif-Ur-Rehman², 2010). In 1975 the new Islamic bank name Dubai Islamic bank was introduced. Today approximately 100 operate without interest. The interest is not allowed on both receipt and deposit according to syasiaah rule. The Islamic bank and other parties invest their resources and divide return (profit and loss) among themselves as per term and condition. The Islam is not allow that the money is expand itself without investing it at any place. Mostly Muslims people choose the Islamic bank due to religious reasons. Because as a Muslims the people want to follow the rule given by their religion. Islamic banking is rapidly grow in the last 30 years.it expand in all area of the world and people in large volume include both Muslims and non-Muslim's prefer it (Marimuthu, 2010).

The interest in Islam is prohibit. The need of Islamic banking system is necessary to satisfy Muslims people need and wants with respect to shariah rule. The religion create a strong impact on customer's perception and influenced people attitude in different aspect of life. The Islam also guide in Islamic banking system. (Mossafa, 2014) State that the religion affect the customer's decision in Islamic banking system and other factors are not matters. The operation of Islamic bank is similar to the operation of commercial bank but difference is that IB work according to Islamic laws (Henry and Wilson, 2004).

The second factors which effect the customer's perception is awareness regarding Islamic product & service. The most people are not aware that what is the difference between Islamic bank and commercial bank? The main objective of Islamic bank is to flourish of economy through by offering financial product and service based on the principle of Islam and shariah (Subhani, 2012). In the selection of Islamic financial product and service it is necessary for the bank to give awareness for the customers about such Islamic products and service and provide clear understanding that how it is beneficial with respect to competitor's products service. The Islamic bank understand the perception of customers in the term of product and service quality. The basic theme of Islamic banking system is to offer the interest free product and service. Islamic bank provide more profit on Murabaha facilities as compared to conventional loans due to profit and loss base of Islamic products (Ahmad, 2010). The various research is done on Islamic banking system but there is less focus on the attention to use and adopt Islamic banking product and service. There is a need of study on this issue and clarify point which affect the intention of customers to use and adopt the product and service of Islamic bank (Jamshidi, 2014).

The customers of Islamic banking do not have knowledge that they can know about the returns on its investment and actual return on it. The less information about Islamic banking products is the result of poor understanding of Islamic banking concept and create a strong impact on customer's perception. The well education is necessary for the awareness of Islamic banking products (Doraisamy, 2011).

The advertising is most important source through which the awareness about anything is given. The bank spent a lot of amount on advertising to attract the customers through giving the awareness to customers about product quality, feature, benefits, and the way of usage characteristics, life time of products and other attribute of products and service. The advertising become important tools for the selling of products and service of all organization. The advertising less influencing intention of customers toward Islamic banking. The concept of Islamic bank never give the permission of unethical acts mislead the information about the products which is given through advertising due to which customers face the problems or loss or selling harmful products to customers without giving awareness. Advertising is to give the true picture without giving wrong information. (Abdullah and Ahmad, 2010). The famous personality (celebrities) are

commonly used by the company to promote the company product and service. The purpose of using the famous personality is to attract the customers and make them loyal (Bergstrom and Skarfstad, 2004). Various researcher consider that for advertising purpose the word of mouth is a good way. In this way the cost of marketing is low and the profit of the company enhance. Through word of mouth the customer retain. This study show the result that marketing and word of mouth are direct impact on customer perception. At the end the word of mouth also help to retain the customers (Parsa, 2015). Organization reputation create strong impact on the perception of customers. When the organization meet the need of customers according to his desire than there is increment in the reputation of an organization and people more trust on organization. In this regard the advertising leave a great impact on firm reputation. There is strong competition among the Islamic bank. The global competition also raised and they provide technical service according to sharia rule. The almost all bank use the technological service to serve the customers for their satisfaction. The customers wants the low bank charges and expenses. For the reputation of bank it is necessary that the bank is meet the need of customers according to his/her expectation. Reputation of the institution is important factor which effect on the consumer perception.

Networking of banking is a form of bank service provide by bank through secure website like bill payment, view account balance, statement of account and so forth (Dalhatu, 2014). Any sector grow with continuous improvement in business to gain competitive advantage it is necessary for the firm to bring the innovation in business technology especially in network technology. The internet banking become famous in these days. The customer can access their account at any time even the bank is close. The can deposit their bill online. The internet banking is the result of saving time and money of the customers. At the beginning the preference of people toward Islamic bank is low and at present era Islamic banking system grow rapidly. The main objective of this study is to discuss the main factors which play the vital role on the perception Of customers. The main focus of this study is to check the impact of perception of customer on the bases of religion, awareness regarding product and services, awareness to financial teaching of Islam, advertisement, networking and reputation.

Problem Identification

The first problem is profit and loss sharing principle. This is the agreement between two or more parties. The bank and other party combine their resources for the investment purpose in the new business or existing business (Marimuthu, 2010). The profit and loss are sharing according prescribed term and condition on their capital which they invest in the business.in this way the need of both parties are meet. The problem is that there is need more efficient allocation of resources because the return is based on the production of business. In profit and loss sharing management the manager take all necessary action and there is no issue in handling the business activities. But in Mudaraba it become complex because it not provide the way through the Islamic bank control the operation of the firm. The link between service and customers satisfaction is done by different researcher in the world. The customers satisfaction is depend on better quality. The firm satisfy the customers only by providing quality product and service. Service problem on customers satisfaction become the cause of their intention of choice. The customers if leave the firm is due to poor quality of product and service or not according to customer desire (Saif, 2010). The mostly respondent consider that the Islamic bank not provide sufficient interest free loan and not fix the return on the investment other conventional bank provide fix return on their deposit and Islamic bank face hurdle in this regard (El-Bdour). The respondent is not known about the Islamic banking information the major problem in Islamic banking industry is that the people is much little know about financing method especially in immigrant community and countries where the Islamic banking system is newly established. Some factors like any innovation and increasing competition change the relationship of bank and their user (Worthington, 2007). The planning and action are taken to control this problem. This is one of the cause of customer switching. The customer who satisfy all of these things there are less chance that the customer is shift toward other bank. Another problem in banking is that the loan is provided by bank is not proper utilize due to certain reason and the bank face loss and the bank also face the problem of efficient portfolio. The bank also need to provide the opportunity for the investment purpose to the investor according to

Islamic principles. The Islamic bank play the vital role in the development of country. The problem is that there is lack of awareness among people and government regarding Islamic banking system (Aslam, 2015).

Problem Statement

This study is done on the perception of customers regarding Islamic banking system and their preferences of Islamic banking and some important issue and factors play the important role in the decision and working of Islamic banking system that distinguish it from commercial bank. There is strong competition in banking sector. It became necessary for the survival of bank that it meet the need the customers and provide high quality service.

Due to more financial institution in the present era including both Islamic and non-Islamic bank provide the choice to Muslims and non-Muslims customers to choose their banking product and service on the basis of their satisfaction. This competition is not only in conventional banking but also in Islamic banking product and service. Due to this heavy competition the Islamic banking should provide several criteria such as better performance than competitors, quick transfer facility, banking convenience and different quality product to attract the Muslims and non-Muslims customers (Adnan, 2012).

Research Objectives

- To investigate the impact of religion on the perception of customers.
- To identify the impact of awareness regarding product service on the perception of customers.
- To explore the impact of awareness to financial teaching of Islam on the perception of customers.
- To examine the impact of advertisement on the perception of customers.
- To point out the impact of networking on the perception of customers.
- To determine the impact of reputation on the perception of customers.

Research Questions

- What is the impact of religion on the perception of customers?
- What is the impact of awareness regarding product service on the perception of customers?
- What is the impact of awareness to financial teaching of Islam on the perception of customers?
- What is the impact of advertisement on the perception of customers?
- What is the impact of networking on the perception of customers?
- What is the impact of reputation on the perception of customers?

Significance of the Study

The concept of Islamic banking in all Muslim countries is very important. Because all Muslims spent their lives according to principles of Islam to the entry of heaven and to avoid the hell. The purpose of this study is to implement the Islamic banking system in which all Muslims fulfill their need according to Islamic law and principles. The Islamic banking system provide loan on the bases of free interest and profit & loss sharing. The charges of Islamic bank are low and average return. This research is not only important for people in any country, it is also important in banking sector as a whole because it provide the bases of understanding of certain factors that discuss the impact on the perception of customers regarding Islamic banking.

This study is also important for future research. The government who want to introduce the Islamic banking system in the state. This study help the government to understand the law and principle used in Islamic banking system and the factors that influencing the perception of customers.

Literature Review

The objective of this study is that the religion create the impact on the willingness of customer to adopt the Islamic bank in Malaysia. The sample size of this study is 300 Muslims people with different age and income level in Klang valley region. The result show that there is significant and positive relationship on the willingness of customers in the adoption of Islamic banking (Alam, 2012). The objective of this research is that is to check the effect of various factors on the consumer in the adoption of Islamic banking. Due to which region they are attract what their demand from Islamic bank. Of this study is that the customer adopt the Islamic bank due to religion. There is need to give the awareness to the people about Islamic banking. The student are more know about the Islamic banking. But the problem is that this study is done in certain area of Pakistan (Imtiaz, 2013).

The purpose of this study is to discuss the impact of religion on customer attitude regarding the famous personality which advertising on T.V in Sudan. The questionnaire technique is used in this study and the sample size of this study is 268 university student in Sudan. T- Test, descriptive and frequency analysis are used to draw result. The result show that there is low and high religion impact on T.V advertising vary from person to person. Further the advertising effect the customer purchasing decision. There is need further research in future in this regard (Diab, 2015).

The Islamic bank is grow rapidly in the different country of the world. There is no significant impact of loan provided on the basis of interest and there is bad impact of this loan on the society and economy from religion point of view and it is strictly prohibit in Islam. This study is done to check the impact of Islamic banking system on the living of customer of Islamic bank. The simple question are used and population size is 45 and multiple regression analysis are used for data analysis. The result of this study are the loan without interest is positive impact and acceptance of Islamic bank in Peshawar KPK (Anjum, 2012). This study is used to describe the impact of Islam on bank selection. The result show that there is strong link between religion and bank selection. The people are more effect due to have knowledge about religion. The Muslims people prefer the automated tailor machine. The Muslims customer know about the Islamic banking but they prefer the commercial bank in Malaysia. If the Islamic bank want to attract the customer bank should provide online and faster service to customer (Ahmad A. A., 2008).

The Islamic bank is different from commercial bank in different area. The riba is not found in Islamic bank but it essential element of commercial bank. The religion obligation is meet in Islamic bank. The Muslims bank is work for human welfare through profit and loss sharing principle. Some people have view that the Islamic bank is not different from conventional bank. The objective of this study is to check the perception of customer in Islamic banking whether the Islamic bank is work according to Islamic law (Dusuki, 2007). The loan without interest is provided in Islamic bank. The Islamic bank share both profit and loss. The bank face great loss when it occur on bank assets. This study is focus on both Muslims and non-Muslims bank through ROE making a standard (Jalbani, 2008).

The major objective of this study is to discuss the causes of switching from non-Islamic bank to Islamic bank. This study is also used to clarify the suspicions that the Islamic bank is not work according to Islamic law. The secondary data is used and analytical analysis is used to analyze the data. This study help the Muslims people in understanding that the Islamic bank is work according to Shariah rule. The result show that the customer face low risk in different situation of business (Ahmad1, 2014).

This study is done to determine the perception of customer in Islamic bank in Oman. The banking system become the major source of finance for business purpose. There is drawback in commercial bank and the Muslims businessman want their all dealing with Islamic law. This study analyze which bank well satisfied the customer. The result of this study show that is to know that whether Islamic bank or non-Islamic bank more effectively satisfy the customer (Begum, 2014).

The source of any business is the customer. The customer generate revenue for banking system. To satisfy the customer it is necessary for the bank to produce quality product and service. The Islamic banking is successful only if it provide the quality product and service their competitor commercial bank. This study is done in Malaysia. The sample size of this study is 1153 people in the different city of Malaysia. The result of this study is that the satisfaction of customer is depend on the quality of product and service provided by Islamic bank (Saad, 2012).

The need of Islamic bank in Pakistan is due to religion. Because the people want all transaction of business according to Islam. The interest is prohibit in Islam. The people want to get the loan without interest. This is only possible in case of Islamic bank. The response is collected from the people who are the customer of Islamic and non-Islamic bank. This study is also focused on other variable which effect on customer satisfaction. For this purpose 150 sample size is used including both male and female. The correlation method are used to determine the relationship between the customer satisfaction and the service of bank in Peshawar city of Pakistan. (Laqat, 2013).

The purpose of this study is to check the perception of customer about product and service of Islamic bank in Kedah, Sungai, Petani. This study is used to discuss why people used Islamic bank rather than commercial bank. The questionnaire are used to collect the data from people. SPSS and V.13 package software are used to analyze the data. The result of this study is that the people are not aware about Islamic banking product and service in some extent. But the people prefer it due to low risk and more profit and standard product. This study is more focus on consumer trend toward Islamic banking product and service (Doraisamy, 2011).

The theme of this study is to point out the knowledge of customer regarding product and service of Islamic bank in Kuwait. For this purpose 650 questionnaire are used and 427 are analyzed. The result show that the customer are not aware Islamic banking product and service (Naser, 2013). This study is used to investigate the quality of service in retail banking in QATAR. This study is focus on the perception of customer with respect to quality of service. This study is based on newly collected data with the help questionnaire. The sample size of this study is 120 on convenient bases in the 4 bank of QATAR.

Finding are the level of perception is less in competitive area (Leo, 2009). The theme of this research is to determine the knowledge of customer perception of customer with respect to Islamic banking product and the way of increase the knowledge and the observation of customer about the product of Islamic bank. On the basis of IPA this research investigate knowledge of customer about product, profit, observation of customer about service, thinking of people on IBS interest etc. based on Islamic rule. The semi structured interview is used in this study. According to this study information all above area may be improve by marketing efforts of bank (Masood, 2014).

This study is based on the observation and the factor which associated with them. The structured questionnaire are to get the response of people who used the Islamic bank. T-Test and correlation are used to describe the variable. The result of this study is that there is positive link among the satisfaction of customer and other factor like quality product and service, more benefit than commercial bank and the reputation of bank. The alertness about Islamic bank is the main issue. This research also provide the guideline for bank to increase the alertness among people by advertising and innovative product and service as compared to commercial bank (Raza, 2012).

Superiorty of service is an essential element for the competition in banking sector. To achieve the competitive advantage it is necessary for the bank to meet the need of customer according to his or her desire. The survey is used in this study. The result of the survey show that there is strong association satisfaction of customer and superiorty of product ,brand of product and other facilities of bank provided by bank (Hamzah, 2015).

This research is used to determine the alertness of people and the association of customer preferences and superiority of service in Islamic bank. In this study 157 questionnaire are used. The SPSS software are used for data analysis. The AMOS is used for research model. The result show the positive association in customer satisfaction and superiority of service. The further result in this study also found that represented have great impact on the satisfaction of customer in Islamic bank in Pakistan (Akhtar, 2011). The objective of this study is to investigate the preferences of customer in Tunisia regarding the service of Islamic bank and the factor which effect the customer decision. The 100 questionnaire are used randomly and multiple regression and T-test is applied on 93 filled questionnaire. The finding of this study is that doubt, knowledge have strong impact on consumer in the use of service of Islamic banking. The customer are more willing to move toward the service of Islamic bank (Echchabi, 2013).

The Islamic bank design product and offer service according to Islamic rule. This study is focus on knowledge , observation and the way of thinking about the product and service of IB. individual, business and other financial institution outlook regarding Islamic finance are analyze on the bases of observation ,information and compare it with commercial bank product and service (Worthington A. G., 2007).

The competitor of Islamic bank is commercial bank. Due to strong competition the Islamic bank must know the knowledge, observation and behavior of customer in Malaysia. The population of Malaysia is 60% Muslims and 40% non-Muslims. The main objective of this study is to know the impact of knowledge, observation and the way of thinking about Islamic banking product and service in Malaysia and the impact of knowledge, observation and the way of thinking on IB product and service. The population size of this study is 280 people. ANOVA and correlation analysis are used to analyze the data. The finding of this study show that more than 50% people from respondent know a about IB but less knowledge about product and service of IB. moreover this study help out to attract more customer (Keong, 2012).

The concept of Islamic bank is not newly introduced. In different countries include both Muslims and non-Muslims countries the Islamic bank is grow rapidly. This research is focus on consumer fulfilment and perception regarding Islamic bank in Pakistan. This study is focus on different product and service provided by Islamic bank and commercial bank in Pakistan. In this study the information about it is collected by using 49 questionnaire. The result of this study is that whether the customer are satisfied with the product and service provided by both Muslims and non-Muslims bank and the customer are not aware about it (Azeem, 2014).

This study is used to discuss and the preparation of Islamic bank. Whether there is association between them. This study is also used to discuss the moderate variable and the impact of moderate variable is negative, neutral are positive on the awareness and preparation of Islamic bank in Peshawar. There is no neutral effect on these variable. The negative discourage the customer to use Islamic bank even they have the knowledge about the things which are prohibit in Islam. The positive attitude people move toward Islamic bank due to Islamic rule and regulation (Mehtab, 2015).

In present the Islamic bank is fastly growing in different area of the world. This study is focus on the knowledge of customer about product and service provided by IB in Pakistan. The questionnaire are used to collect the information. The population size is 200 and random sampling technique is used to analyze the data. SPSS software version 18.0 and other technique like correlation, regression analysis and descriptive statistics are used for analysis purpose. The result show that there is less knowledge about the product and service of Islamic bank. The positive result is found in knowledge and the utilization of service decision (Bashir, 2014).

The objective of this study is to create the awareness among the people toward Islamic banking in Malaysia. The response of the people is different from the response of non-Muslims people. The sample size of this study is 150 people including both Muslims and non-Muslims people. The questionnaire are used to collect the data about the knowledge attitude of the people regarding bank and their bank. The

result of this study is that the Muslims know better about the IB than non-Muslims people. And there is difference in the attitude of Muslims and non-Muslims people regarding Islamic bank (Saiti, 2015). In these days the Islamic bank is growing fastly and not include the concept of interest. Due to finance crisis in the recently that influencing the commercial bank. This give the energy in the establishment of Islamic bank. 180 million people live in India and it is big opportunity for Islamic banking system. The study is done to check the knowledge of people about the Islamic bank. The information is collected from the people with the help of structured questionnaire. This study in finding the region for growth and the issue for Islamic bank. This analysis is also done for the analysis of SWOT Islamic bank (Faisal, 2013).

The Islamic bank approximately 1.6 billion people of the world are serve. According to shariah rule this study is done to explore whether people are aware regarding IB technology and their perception toward Islamic bank and the selection of IB by discussing two important class Muslims and non-Muslims. The result of this study show that the people have low knowledge regarding religion and the Muslims know more about IB than non-muslims. The religion and profit in Islamic bank inspire the people to invest in Islamic bank (Ramdhony, 2013).

To transfer the information the internet and other network are used. The environment are change very rapidly and bank face the problem to attract and maintain the customer. This study is used to create the loyalty of customer with electronic banking. The 32 questionnaire and 0-100 scale are used for this purpose. The AMOS software and path analysis are used for data analysis. The result of this study is that there is strong favorable relationship among customer retention and service loyalty (Hozoori, 2015).

Development in technology to provide online service to create the chance for IB to use it to create extortions for other institution due to inadequate formation about electronic service it change the perception of customer. This study is done on different factor which effect on preference and the use of this service in Saudi Arabia. The population size is 651 people and data is collected through questionnaire. The result of this study is that superiority and benefit of internet and their service is important for the adoption of Islamic banking (Ghaith, 2010).

Due to development of online banking service it change the operation of bank. It reduce the number of employees in banks and save the time and reduce the cost. But the problem is that the customer are not use this service. In Iran the banks start to provide this service but the customer do not accept or prefer it. The objective of this study is to analyze the factor which effect on the adoption of this service the questioner are used in this study. The cost and risk are the factors which effect on this service. There is need for more work on it in future (Alagheband, 2006).

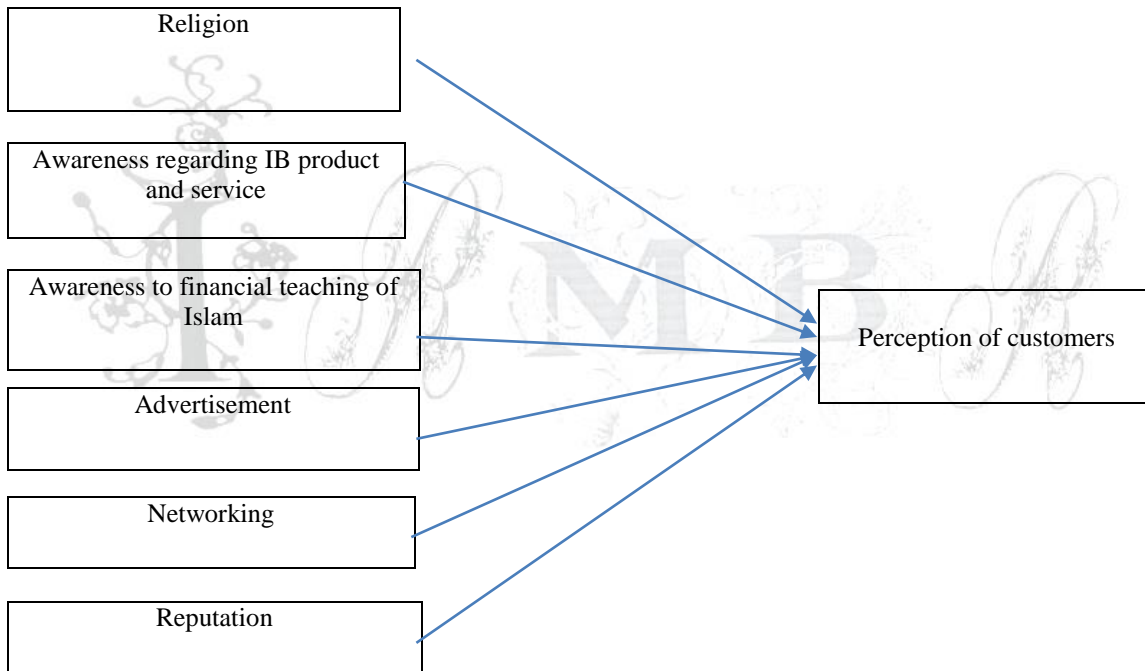
The purpose of his study is to discuss the impact of electronic banking on the satisfaction of customer in Saudi Arabia. The data is gathered from the bank in Saudi Arabia. The software SPSS version 20 is used in this study. The result in this study show that easy use observed benefits and reliability are positive impact on the satisfaction of customer. The correlation are used to analyze the data (Sini, 2015). In Islamic banking the advertising is based on Islam and there is ethics in Islamic advertising and it works for the prosperous of human. This study is used to discuss the attitude and .behavior of management of bank and their customer. This study is used to discuss the impact of virtual performance of sale as the customer observed by Islamic bank (Hassan, 2008).

Financial resources are necessary for the development of any business. The big business cannot meet its need of finance alone. So it take credit to meet their need. This study is done on advertising about credit which the financial institution used to convey the information to attract the customer. The questioner is used to collect data. The data is collected through questioner is analyzes through personal coefficient test. To rank the advertisement field man test are used and regression analysis are used in this study. The result of this study are the television and internet or first in a ranking 3.83 average, billboard, and publicity or low impact on customer perception in that order (Nasrabadi, 2015).

The customer remain loyal which the firm only if the firm provide innovative product and service from time to time. Innovative product lead to innovative service. This is done to check the association of marketing and newly introduced product and their impact on the perception of customer. Respondent are taken from insurance companies in North West and 248 people are select randomly, path analysis is used to test this service. The observation if customer influence through trust and marketing. The acceptance of innovative product is effected by risk and benefit which the customer observe. To test the hypothesis the structural questing model test are used which the help of path analysis techniques. The innovation of service and the observation of customer or the straight effect on the acceptance of insurance company the consumer. The observe value and the risk also effect on consumer intention (Oruji, 2014).

The objective of this study is to explore the ethics in business may be through advertising from Islamic point of view. Different approaches are used in this study to test the results like comparative analysis, analytical analysis and descriptive analysis. This research tell about the variable which create the effect on ethical manner. This study also point out the ethical problem which are same in other religion like no fraud or stealing etc. the finding of this study is also guide indifferent area regarding ethics (Abuznaid, 2009).

Research Model



Research Hypothesis

- There is positive relationship between religion and perception of customers.
- There is significance relationship between awareness regarding financial teaching of Islam and perception of customers.
- There is significance relationship between awareness regarding IB product and service and perception of customers.
- There is positive relationship between advertising and perception of customers.
- There is positive relationship between networking and perception of customers.
- There is significance relationship between reputation and perception of customers.

Research Methodology

The descriptive study is used in present study to know more about the factors which effect on the perception of customers in Islamic banking in Pakistan. The quantitative approach is used in this study. The questionnaire are used to collect the data from the Muslims people used previous study as per current requirement in Pakistan. The people preference is ask whether they want the deal with Islamic bank or commercial bank. If they select the Islamic bank what their expectation from Islamic bank. The conclusion drawn from this study is that most people use Islamic bank is due to following factors awareness, reputation, networking and religion. Convenient sampling is used to select the respondent in this study. For data collection purpose surveys are used in this study. The 180 questionnaire are used in this study and 150 are used for analysis and remaining are exclude due to incorrect response. The SPSS software are used for further analysis of data in this study (Nain Tara, September 22, 2014).

Reliability Analysis

For the good of measures the Cronbach alpha is used as a reliability measure. The variables of research are reliable according to alpha. The value of Cronbach 0.600 which is the standard to check the reliability of variables. The value of alpha show that the result are reliable. It means all 32 items are reliable and valid to measure the perception of customers regarding Islamic banking.

Reliability Statistics

Cronbach's Alpha	No of Items
.600	32

Regression Result and Analysis

Hypothesis Testing

Religion

The result of regression show that the religion has strong impact on perception of customers in Islamic banking. Because the result are less than 0.05 with the beta value of 0,232. The result validate the H1.

Awareness Regarding IB Product and Service

The result show that there is positive relationship between awareness regarding Islamic banking product and service and perception of customers. Because the p-value /significant value is less than 0.05 which is 0.000 with beta value 0.288. The H2 is accepted because the result show that there is positive relationship between awareness regarding IB product and service and perception of customers in Islamic banking.

Awareness to Financial Teaching of Islam

The p-value for this variables is less than 0.05 that is 0.000 and the beta value is 0.245. It show that there is significant relationship between awareness financial teaching of Islam and perception of customers and H3 is accepted.

Advertising

For advertising the significance value is 0.000 that is less than 0.05 with beta value 0.368. it means that there is significant relationship between advertising and perception of customers toward Islamic banking.

Networking

The result of research show that there is significant relationship between networking and perception of customers in Islamic banking. We accept the H5 which show that the networking significant impact on perception of customers regarding Islamic banking.

Reputation

The current result of research show that there is insignificant relationship bet between reputation and perception of customers toward Islamic banking. The p-value is greater than 0.05. H6 is rejected which show that reputation is not contribute toward perception of customers regarding Islamic banking.

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2.233	.627		-3.563	.000
	Religion	.275	.082	.232	3.370	.001
	Awareness regarding financial teaching of islam	.337	.077	.288	4.354	.000
	Awareness regarding product and service	.343	.095	.245	3.614	.000
	Advertising	.326	.073	.368	4.480	.000
	Reputation	.032	.072	.033	.446	.656
	Networking	.326	.095	.213	3.437	.001

a. Dependent Variable: perception of customers

Anova^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	14.910	6	2.485	20.160	.000 ^a
	Residual	17.627	143	.123		
	Total	32.537	149			

a. Predictors: (Constant), networking, advertizing, awareness regarding financial teaching of islam, awareness regarding product and service, religion, reputation

b. Dependent Variable: perception of customers

The F value should be more than 5. In this research the value of the F is 20.160 which is larger than 5. The significance level is .000. The adjusted R value is .436. Because the P value is .000 it means religion, awareness to financial teaching of Islam, advertising, networking, reputation have the significant affect the perception of customers regarding Islamic banking in Pakistan.

Correlations

When the value is less than 0.05 than correlation is significant. In this research the religion is correlated with the perception of customers with 0.000 value. So there is significant relationship between religion and perception of customers.

Correlation

		religion	Awareness regarding financial teaching of Islam	awareness regarding product and service	advertising	reputation	networking	perception of customers
Religion	Pearson Correlation	1	.015	-.151	.430**	.202*	-.062	.351**
	Sig. (2-tailed)		.857	.064	.000	.013	.448	.000
	N	150	150	150	150	150	150	150
awareness regarding financial teaching of Islam	Pearson Correlation	.015	1	.358**	-.058	-.027	.030	.363**
	Sig. (2-tailed)	.857		.000	.478	.744	.712	.000
	N	150	150	150	150	150	150	150
Awareness regarding product and service	Pearson Correlation	-.151	.358**	1	-.193*	-.042	.055	.252**
	Sig. (2-tailed)	.064	.000		.018	.609	.501	.002
	N	150	150	150	150	150	150	150
Advertising	Pearson Correlation	.430**	-.058	-.193*	1	.562**	.001	.422**
	Sig. (2-tailed)	.000	.478	.018		.000	.986	.000
	N	150	150	150	150	150	150	150
Reputation	Pearson Correlation	.202*	-.027	-.042	.562**	1	-.023	.264**
	Sig. (2-tailed)	.013	.744	.609	.000		.779	.001
	N	150	150	150	150	150	150	150
Networking	Pearson Correlation	-.062	.030	.055	.001	-.023	1	.220**
	Sig. (2-tailed)	.448	.712	.501	.986	.779		.007
	N	150	150	150	150	150	150	150
Perception of customers	Pearson Correlation	.351**	.363**	.252**	.422**	.264**	.220**	1
	Sig. (2-tailed)	.000	.000	.002	.000	.001	.007	
	N	150	150	150	150	150	150	150

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

Awareness regarding financial teaching of Islam is significant at the value of 0.000. awareness regarding Islamic banking product and service are significant at the value of 0.002. Advertising are significant with the perception of customers at the value of .000. Reputation are significant with the perception of

customers at the value of .001. networking are significant with the perception of customers at the value of .007. the perception of customers are correlated with religion, awareness to financial teaching of Islam, awareness regarding Islamic banking product and service, advertising, reputation, networking.

Limitation and Future Research

The current study has some limitation and there is need future research in this regard. The sample size of this study is limited because it take from only few city of Pakistan and finding not generalized on whole population of Pakistan. There is more need of marketing and advertising to give the awareness about Islamic banking system in Pakistan. Because the people are less aware about it. Another limitation of this research is that it cover in limited period of time. There is more need of details analysis on this area in Pakistan. This research is only focus on the religion of Islam. In future there is need of more research in Pakistan on the customers of different religions. So that more result are obtained on the perception of customers regarding Islamic banking.

Discussion and Conclusion

The study purpose is to determine the customer perception toward Islamic banking and find out the factors that effect on the perception of customers in Islamic banking in Pakistan. This study is also focus on the adoption of Islamic banking product and service by focusing on Muslims and non-Muslims customers and suggest the management to make the valuable strategies to catch the attraction of customers. For this research the data is collected from the employees and the customers of Islamic banking in Pakistan. The result show that perception of customers are most important for the success and growth of Islamic banking in Pakistan. This research show that religion awareness regarding product and service, awareness to financial teaching of Islam, advertising, networking have the strong impact on the perception of customer regarding Islamic banking. The one fifty questionnaires is distributed to collect data from the respondent. First reliability test are used to test the result and Cronbach alpha values is 0.600. This value show that result are valid. The p-value is less than 0.05. It means religion, awareness regarding Islamic banking product and service, advertising, networking and awareness regarding financial teaching of Islam have significant impact on the perception of customers in Islamic banking. But reputation does not support in this regard and its significant value is 0.656 which is greater than 0.05. It is not support and we reject it. Muslims customers and mostly non-Muslims customers are not aware about the Islamic bank. The attitude of Muslims and non-Muslims customers is positive toward Islamic banking. The majority of the people are agree to deposit their saving in Islamic banking if Islamic banking provide good profit as compared to conventional banking (Faisal, 2012). This study is also find that strict Islamic religion and element of cost and profit effect on the adoption of Islamic banking product and service (Anwar, 2014). The religion has a direct impact on the perception of customers in Islamic banking. The religion is the factors which motivate the customers to deal with Islamic banking (Ghoul, 2013). The religiosity is link with the bank reputation, perceived value and dependent variables (Ali, 2012). These conclusion are consonant with previous researchers.

References

- Abdelghani Echchabi, D. A. (n.d.). Predicting customers' adoption of Islamic banking services in Tunisia: A Decomposed Theory of Planned Behaviour approach. *Tazkia Islamic Finance and Business Review, Volume 9.1.*, 19-40. Retrieved march 2016
- Abul Hassan, A. C. (2008). Islamic Marketing Ethics and Its Impact on Customer Satisfaction in the Islamic Banking Industry. *JKAU: Islamic Econ.*, Vol. 21 No. 1, pp: 27-46. Retrieved march 2016
- Abuznaid, S. A. (2009). Business ethics in Islam: the glaring gap in practice. *International Journal of Islamic and Middle Eastern Finance and Management, Vol. 2 No. 4*, pp. 278-288. doi:DOI 10.1108/17538390911006340

- Adnan, A. A. (2012, June). Perception of Non-Muslims Customers towards Islamic Banks in Malaysia. *International Journal of Business and Social Science*, Vol. 3 No. 11;. Retrieved march 2016
- Ahmad1, D. N. (2014, march). Islamic Banking System: Partnership in Sharing Business Risk. *Journal of Islamic Banking and Finance*, Vol. 2, No. 1. Retrieved march 2016
- Ahmed Abu Sini, Y. A. (July 2015, July). The Effect Of E-Banking On Customers' satisfaction In Financial Services: An Empirical Investigation On Financial Sector In Saudi Arabia. *Journal of Arts, Science & Commerce*, Vol.-VI, (Issue - 3,), 41-51.
- Alagheband, p. (2006). adoption of electronic banking service by Iranian customers. Retrieved march 2016
- Ali Raza1, U. S. (January 2012, January). Customers' Satisfaction Towards Islamic Banking Pakistan's Perspective. *Arabian Journal of Business and Management Review (OMAN Chapter)*, Vol. 1, No.6, 71-79. Retrieved march 2016
- Ali, J. K. (2012). The effects of ethnicity and religiosity on loyalty of microenterprise owners' toward banks. An application in Malaysia. Retrieved march 2016
- Anjum, M. A. (December 2012, December). Acceptance of Islamic Banking in Muslim Customers. *International Review of Management and Business Research*, Vol. 1 Issue.1. Retrieved march 2016
- Anwar, M. (2014). Factors Influencing Profitability Of Islamic Banking In Kenya; Case Of Gulf African Bank. Retrieved march 2016
- Ashfaq Ahmad1*, K.-u.-R. I. (2010). An empirical investigation of Islamic banking in Pakistan based on perception of service quality. *African Journal of Business Management*, Vol. 4(6), 1185-1193. Retrieved march 2016
- Aslam, M. M. (2015). Islamic Banking And Finance Review. *Volume 02, Issue 01, 1436H/2015*. Retrieved march 2016
- Barathy Doraisamy, A. S. (November 2011). A Study On Consumers' Preferences Of Islamic Banking Products And Services In Sungai Petani. *Academic Research International*, Volume 1, Issue 3, 290-302. Retrieved march 2016
- BASHIR*, A. A. (Summer 2014). An Investigation Of Customer's Awareness Level And Customer's Service Utilization Decision In Islamic Banking. *Pakistan Economic and Social Review*, Volume 52, No. 1, pp. 59-74. Retrieved march 2016
- Begum*, S. (June 2014, June). A Comparative Study of Customer Satisfaction of Islamic Banks and Conventional Banks in Oman. *The SIJ Transactions on Industrial, Financial & Business Management (IFBM)*, Vol. 2, No. 4. Retrieved march 2016
- Binta Usman Dalhatul, A. B. (2014). Nigerian Retail Customers' Adoption of Online Banking in an Islamic Bank. *Global Business and Management Research*, Vol. 6, No. 3, 237-245. Retrieved march 2016
- Dariyoush Jamshidi, K. H. (2014). Investigating Critical Factors Influencing Acceptance And Marketing Strategies Of Islamic Banking Services In Malaysia. *International Journal of Accounting Research*, Vol. 1, No. 10, 41-49. Retrieved march 2016
- Diab, I. H. (n.d.). The Impact of Religiosity commitments on Attitude towards Celebrities Endorsed TV Advertising and Buying Behavior. Retrieved march 2016
- Dusuki, A. W. (2007). The Ideal of Islamic Banking: A Survey of Stakeholders' Perceptions. *Review of Islamic Economics*, Vol. 11. Retrieved march 2016
- El-Bdour, C. E. (n.d.). Attitudes, Behaviour And patronage Factors Of Bankcustomers Towards Islamic Banks. Retrieved march 2016
- Esmaeil Mazroui Nasrabadi, N. N. (2015). Advertising New Marketing Role in Bank Customers' Behavior. *visi jurnal akademik*, 167-171. Retrieved march 2016
- Ghoul3, R. J. (2013, July - Sep). Islamic Banks □ Marketing and Communication Tactics: Towards a Better Reception and Perception. *Journal of Islamic Economics, Banking and Finance*, Vol. 9 No. 150 3, 150-177. Retrieved march 2016
- Hozoori, V. A. (2015). Identify influential factors of customer loyalty in e-banking. *Advanced Social Humanities and Management*, 83-90. Retrieved march 2016

- Humna Mehtab, Z. Z. (Winter 2015). Knowledge, Attitudes and Practices (KAP) Survey: A Case Study on Islamic Banking at Peshawar, Pakistan. *FWU Journal of Social Sciences, Vol.9, No.2, 1-13*. Retrieved march 2016
- Jalbani, S. S. (December 2008, Decembe). Risk Management in Islamic and Conventional Banks: A Differential Analysis. *Journal of Independent Studies & Research, Szabist, Karachi, volume.7 number2* . Retrieved march 2016
- Kamal Naser1, A. A. (November 12, 2013, November 12). Customers Awareness and Satisfaction of Islamic Banking Products and Services: Evidence from the Kuwait Finance House (Note 1). *International Journal of Marketing Studies, Vol. 5, No. 6*. doi:doi:10.5539/ijms.v5n6p185
- Kashif-Ur-Rehman2, N. A. (2010, May). Customer satisfaction and awareness of Islamic banking system in Pakistan. *African Journal of Business Management, Vol. 4(5)*, 662-671. Retrieved march 2016
- KEONG LEE LING, K. M. (20 April 2012, 20 April). Awareness of Islamic Banking Products and Services among Non-Muslims in Malaysia. Retrieved march 2016
- Leo, M. H. (2009). Customer perception on service quality in retail banking in Middle East: the case of Qatar. *International Journal of Islamic and Middle Eastern Finance and Management, Vol. 2 No. 4*, pp. 338-350. doi:DOI 10.1108/17538390911006386
- LIAQAT ALI, A. A. (September 2013, September). Comparison of Islamic and Conventional Banking on the Basis of Riba and Services A case study of Peshawar Region. *International Review of Management and Business Research, Vol. 2 Issue.3*. Retrieved march 2016
- M.Azeem, H. R. (2014). Customer satisfaction and awareness about Islamic banking system. *Research Journal of Finance and Accounting, Vol.5, No.3*.. Retrieved march 2016
- Maran Marimuthu1, C. W. (2010, September). Islamic Banking: Selection Criteria and Implications. *Global Journal of Human Social Science, Vol. 10 Issue 4 (Ver 1.0)*.. Retrieved 2016
- Mohammad Faisal*, A. A. (n.d.). Awareness Of Islamic Banking In India- An Empirical Study. Retrieved march 2016
- Mona Oruji1, D. M. (May. 2014, May). The Impact Of Relationship Marketing And New Product Features On Customer's Perceptions And The Intention Of Their Acceptance In Life And Investment Insurance. *Kuwait Chapter of Arabian Journal of Business and Management Review, Vol. 3, No.9*, 406-420. Retrieved march 2016
- Muhammad Imtiaz Subhani, S. A. (31. July 2012, 31. July 2012). Consumer Criteria for the Selection of an Islamic Bank: Evidence from Pakistan. *International Research Journal of Finance and Economics (IRJFE) No. 94, (2012)*. Retrieved march 2016
- Muhammad Naeem Akhtar, I. I.-U.-R. (2011). Relationship Between Customer Satisfaction and Service Quality of Islamic Banks. *World Applied Sciences Journal 13 (3): 453-459, 2011*. Retrieved march 2016
- Nain Tara, M. I. (September 22, 2014, September 22). Factors Influencing Adoption of Islamic Banking:A Study from Pakistan. *Journal of Public Administration and Governance, Vol. 4, No. 3*, 352-367. doi:Doi:10.5296/jpag.v4i3.6677
- Nasir Imtiaz1, A. M. (April 2013, April). Factors Affecting The Individual's Behavior Towards Islamic Banking In Pakistan: An Empirical Study. *Educational Research International, Vol. 1 No. 2*. Retrieved march 2016
- Noradiva Hamzah, N. M. (January 2015, January). Customer Satisfactions on Islamic Banking System. *Journal of Economics, Business and Management, Vol. 3, No. 1*, 140-144. doi:DOI: 10.7763/JOEBM.2015.V3.170
- Parsal, S. Y. (October, 2015, October). Effect of Relationship Marketing on Word of Mouth in Life Insurance with the Approach of Trust and Commitment: Case Study of Karafarin Insurance Agents in Mashhad. *International Journal of Management, Accounting and Economics, Vol. 2, No. 10*, 1244-1260. Retrieved march 2016
- Rahman, S. A. (February 2015, February). The Effects Of Marketing Mix On Consumer Perspectives. *Turkish Journal of Islamic Economics, Vol. 2, No. 1*. doi:DOI: <http://dx.doi.org/10.15238/tujise.2015.2.1.17-30>

- Rahman, S. A. (2015, February). The Effects Of Marketing Mix On Consumer Perspectives. *Turkish Journal of Islamic Economics*, Vol. 2, No. 1. doi:DOI: <http://dx.doi.org/10.15238/tujise.2015.2.1.17-30>
- Ramdhony, D. (2013). Islamic Banking Awareness Attitudes and Bank Selection Criteria. *International Journal of Humanities and Applied Sciences (IJHAS)*, Vol. 2, No. 2, 29-35. Retrieved march 2016
- Saad, N. M. (2012, January). Comparative Analysis of Customer Satisfaction on Islamic and Conventional Banks in Malaysia. *Asian Social Science*, Vol. 8, No. 1; . doi:doi:10.5539/ass.v8n1p73
- Saif, A. A.-u.-R. (2010, february). Islamic Banking Experience of Pakistan: Comparison between Islamic and Conventional Banks. *international journal of business and management*, vol. 5, No. 2. Retrieved march 2016
- Saiti, 2. (2015). The Awareness and Attitude towards Islamic Banking: A Study in Malaysia. *Global Review of Islamic Economics and Business*, Vol. 2, No.3, 172-196. Retrieved march 2016
- Salman Masood1*, S. R. (December 2014, December). Cognizing Customer Awareness and Perception of Islamic Banking Products in Pakistan. *International Journal of Operations and Logistics Management*, Volume: 3, Issue: 4, Pages: 322-336. Retrieved march 2016
- Syed Shah Alam, I. J. (2012). Is Religiosity an Important Factor in Influencing the Intention to Undertake Islamic Home Financing in Klang Valley? *World Applied Sciences Journal* 19 (7): 1030-1041, 2012, 1030-1041. doi:DOI: 10.5829/idosi.wasj.2012.19.07.392
- Waleed Al-Ghaith, L. S. (2010). Factors Influencing The Adoption And Usage Of Online Services In Saudi Arabia. 1-32. Retrieved March 2016
- Wan Marhaini Wan Ahmad, A. A. (2008). Religiosity And Banking Selection Criteria Among Malays In Lembah Klang1. *Jurnal Syariah, Jil. 16, Bil. 2 (2008) 99-130, Shariah Journal, Vol. 16, No. 2 (2008) 99-130*. Retrieved march 2016
- Worthington, A. H. (2007). An Empirical Survey of Individual Consumer Business Firm and Financial Institution Attitudes towards Islamic Methods. *Research Online*. Retrieved march 2016
- Worthington, A. H. (2007). An Empirical Survey of Individual Consumer, Business Firm and Financial Institution Attitudes towards Islamic Methods of Finance. *Research Online*. Retrieved march 2016.