The Determinants of Attitude of Customers Towards Islamic Banking in Pakistan.

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DEDICATION

To

ALLAH Almighty, Holy Prophet (P.B.U.H),

My Beloved Parents

&

My Dedicated Supervisor

ABSTRACT

To investigate and identify the relationship of Awareness, Knowledge, Perception, Social And religious perspective on the Attitude of customers towards Islamic banking in Pakistan. This research targeted the potential and current users of Islamic banking products and services through which their attitude regarding Islamic banking has been analyzed. Data from 211 respondents residing in Islamabad and Rawalpindi has been collected through online questionnaire on "Google Forms". Data collected from the questionnaires were analyzed through statistics software. The demographic data was analyzed through "Statistical package for social sciences (SPSS)" software for descriptive analysis and "Smart-PLS (Partial least square software) was used for the structural and measurement analysis. As from the analysis, Awareness, Knowledge, social and religious perspective are found to be having a positive significant relationship with the Attitude of customers towards Islamic banking products and services. Whereas from the findings of the study, Perception has no impact on the Attitude of the customers towards Islamic banking. This research will mainly benefit the Islamic banking industry to develop the strategies to aware and educate the customers through their marketing campaigns, Advertisements, arranging seminars in corporate offices and Universities. Also collecting the feedbacks from the walk-in customers. So that customers would be able to assess their needs and replacing the conventional banking products with Islamic banking.

Keywords: Attitude of customers towards Islamic banking, Awareness, Knowledge, Perception.

CHAPTER 1: Introduction

1.1 Background:

This section explored the concept of how customer's awareness, perception, Knowledge, social and religious perspective have an impact towards the attitude of customers on Islamic banking industry operating in Pakistan.

In general, highlighting the determinants of attitude of customers towards the Islamic banking products and services in Pakistan. How Islamic banking industry is operationalizing to benefit the customers in Pakistan. According to (Heffernan, 2005) the term "Banking" refers to the large financial institutions which are mainly responsible for the circulation on money throughout the country, keeping deposits of customers and providing loans to customers as well. Providing depository services and provisioning of loans differentiates the banks from other financial institutions. Offering different financial products and services to borrowers and lenders.

A bank act as an intermediary at a lowest possible cost offered for its products and services. Banks plays a most important role for the transmission of the monetary policy of the country. The central bank i.e., State Bank of Pakistan is mainly responsible for the circulation of money in Pakistan.

Conventional banking system is dependent on Interest over profit system. Islamic banking is a system comprised of shariah based banking system free from interest (Riba). The concept of Islamic banking was basically to introduced to cater the needs of Muslims which should free of Interest (Riba) as its provision is prohibited in Islam. Islamic banking and finance is a concept provided by Allah Almighty to perform and offer products and services which are Riba (Interest free) and shariah compliant for all Muslims and Non-Muslim community and to protect the wealth of people from unequal distributions of wealth in the society.

Islamic banking is practiced on profit and loss sharing basis so that loss or profit earned from the transactions can be equally shared. After the great financial crises in 2008 and defaults from the provisioning of subprime mortgage loans, world's, financial systems and institutions collapsed and Islamic banking became the alternative banking system to be introduced. In Pakistan there are more than 22 Islamic banking institutions having 3,956 branches available across the country (SBP, 2021). The Shariah compliant services

collectively and globally make up to 2 trillion in Assets, in which 80% includes Islamic banking windows including the Islamic banking windows opened by conventional banks. 15% comprises of *Sukuk* known as Islamic bonds and 5% comprises of Islamic mutual funds and Islamic Insurance *Takaful* (Abedifar et al., 2015).

The important feature of Islamic banking other than interest free products and services is risk sharing among borrowers and lenders. Islamic banking is mainly used for coping up with the modern-day challenges of Risk and interest. Islamic scholars are extensively studying and developing the new Islamic banking products to be offered to the customer which replaces the conventional banking products and services (Chung et al., 2013).

Islamic banks are also working for the social welfare of the societies such as providing micro- financing loans for new business startups in the rural areas.

1.2 Introduction:

During Great depression in 2008, financial markets all over the world collapsed due to subprime mortgage crisis. Only Islamic banking was the alternative financial system which was the way to survive in this recession. A few decades ago, Islamic banking system has now emerged and more than 300 Islamic Financial Institutions are managing the investment demands and needs (Lee & Ullah, 2011).

Islamic banking and financial services industry is expanding day by day as every conventional bank in Pakistan has its own Islamic window which only offers customers with Islamic products with shariah compliance such as *Ijarah* (Leasing), *Musharaka*, *Mudaraba, Murabaha*, *Sukuk* (Islamic bonds), *Takaful*, *Salam* and *Istisna*. Customer's perception and awareness would be only way for Islamic banking industry to acquire more customer base in Pakistan as compared with the conventional banking system as these services can be for anyone for Muslims and non-Muslims.

Islamic finance is an exceptional significant to the Halal marketplace. Therefore, two Shariah commerce segments are alike regular principles, marketplace and belief. Mutually both segments have expanded extensive worldwide approval, that comprises of both Muslim and non-Muslim customers, as it's rising promptly. Regardless of the correspondences, due to lack of association among the Halal and the Islamic values accordingly as per finance mutually both businesses are emerging self-sufficiently. These both segments are measured as identical alienated by birth. Now a days Islamic finance

has grown into a worldwide trademark, erudite and systematized diligence in the previous four epochs. Constantly, the Halal business seemed to be more uneven, fewer organized in the previous ten years of Islamic financial development (Halal Focus, 2011).

According to (Abedifar et al., 2015), after industrial revolution Muslim scholars were worried about how financial institutions will carry out the transactions which were solely based on Interest based system. They found and introduced an alternative way to make the transactions across the country *Riba* (interest) free and shariah compliant system for Islamic financial intermediation.

In early 1960's when Islamic banking started to emerge as an alternative financial an Egyptian Bank "Mit-Ghamr" was putting its efforts to provide Islamic financial system to be practiced across the country. The Mit-Ghamr took an initiative to mobilize small savings collected from rural areas via saving accounts. Loans were provided to account holders which were interest free loans. *Mudarbah* based investment accounts were also introduced which were based on profit- sharing and loss-bearing structure. Naser social Bank was the first interest free bank introduced in Egypt in 1971. In 1975, Islamic Development bank (IDB) was introduced as a result of Organization of Islamic conference (OIC). Main objective of Islamic Development Bank was to promote socio-economic development in the Muslim member countries based on shariah principles (Abedifar et al., 2015).

Pakistan is a country with largest Muslim majority population, Pakistan introduced the Islamic banking system in 1970s but currently provides dual banking environment i.e., conventional and Islamic banking, conventional banks having Islamic windows with 3,956 branches across the country which offers shariah based financial products and services (SBP, 2020).

In Pakistan Islamic banking has defined its path and people are mostly switching towards Islamic banking products and services based on their Awareness, Knowledge, Perception and Social and religious perspectives. The Government of Pakistan is also working on the development of Sukuks to promote Islamic banking.

1.2.1 Islamic Banking Products and Services in Pakistan:

According to (SBP, 2020), there are 22 Islamic banking Institutions, which are consists of 5 complete Islamic banks and there are17 conventional banks with Islamic banking branches and windows operating in Pakistan. These branches have spread in 125 districts of the country including rural and urban areas of Pakistan. The total network of Islamic banking branches of 3,956 has spread in Pakistan (SBP, 2021).
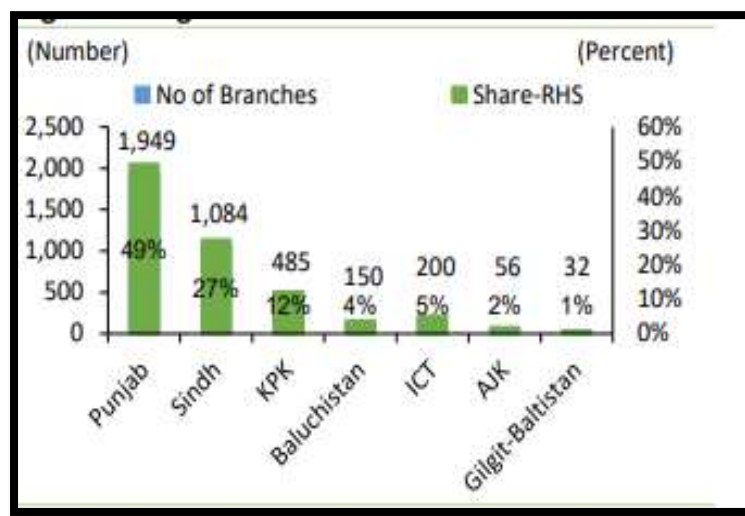
Figure 1: Region wise branch Network (Source: SBP)

i) *Mudarbah Financing:*

In Mudarbah financing/contract, is the partnership contract in which one party "Rab-ul-mal (the financer)" provides the money or capital and "Mudarib" provides the efforts and skills to run the business. The Rab-ul-mal can act as a silent/sleeping partner also. There is a predetermined profit- sharing ratio it can be 80% and 20% or can be 70% and 30% (Bacha,1997).

ii) *Murabaha Financing:*

Murabaha is the third highest mode of Finance used by Islamic Banks. The share in percentage of Murabaha Financing is 13.7% as on Dec-2020 (SBP, 2020).

According to (Bulutoding et al.,2021) Murabaha is the Islamic term used for the purchase and sale of the goods on predetermined profit percentage at original price. Murabaha

financing is also called as Cost-plus financing contract in which buyer and seller agrees to the cost and markup of the asset. Murabaha contract is used in the purchasing of cars and providing housing finance and in the manufacturing industry for the purchase of machinery and material.

iii) Ijarah (Leasing):

According to (Belwal & Al Maqbali, 2018), Ijarah is a contract in which bank acts as lessor and purchases something on behalf of the customer who acts as a lessee. This purchase by a bank is based on a promise by the customer that he or she will lease the asset for time specified in the contract and will make payments as rent to the financial institution in the form of installments that could be monthly, quarterly, semi-annually or annually. In conventional terms it also known as leasing.

iv. Istisna:

According to (Shari'ah Standards, 2017), Istisna is a contract for the sale of specific things that will be manufactured or developed. When the things are finished, they are delivered to the customers. This supplier of specified goods is committed to supply. It consists of two different types of contracts. In first contract, Islamic Banks act as a manufacturer of specified items that customer requires and in the second contract Islamic Banks act as a purchaser of specified items of the first contract from the actual manufacturer/builder. Both contracts should be independent of each other.

v) Musharkah Financing:

According to (Farooq & Ahmed, 2013) the term Musharkah means sharing. Musharkah financing contract is doing partnership between two or more parties in which PLS sharing Profit and loss sharing mechanism is used. Musharkah is also used by business sectors on the agreed ratio of profit and loss. In banking this mode of financing is mainly based on profit and loss sharing and investment agreement by both of the parties.

There are two types of Musharkah financing i.e., *Shirakat-al-milk* and *Shirakat-al-Aqd.*

Shirakat-al-milk is based on sole proprietorship and business owned partnerships. Shirakat-al-Aqd is based on the enterprises and partnership contracts between corporations.

1.3 Problem Statement:

The growth rate of Islamic banking has been increasing day by day, it has proved to be the best alternative to interest-based conventional banking. Islamic banking system's success is based on the Attitude of the customers, what customers perceive of Islamic banking products and services (Khan et al.,2019). According to (Conteh & Hassan, 2021) since the beginning of Islamic banking in 1963, it is implemented in Malaysia, Pakistan, Egypt, Bangladesh, Saudi Arabia. Islamic banking system is also being now used in non-Muslim countries like United States of America, United Kingdom. Pakistan is redefining and its financial strategies to implement Islamic banking in its financial system.

During the great depression in 2008, finding an alternative solution to conventional banking system became a need. Analysts were trying to find the solution how to overcome this financial depression. Despite of the growth and Development, Islamic products will have competition with the products offered by conventional banks, its competitive market environment is based on the Attitude of customers towards Islamic banking (Chung et al., 2013).

Marketing, Knowledge, Awareness, perception of Islamic banking products has now become necessary for Pakistan's financial system. Thus, providing convenience to the customers who are Islamic bank account holders or Conventional bank's account holders. Therefore, the problem statement of current research can be summarized as below:

"To analyze the Attitude of customers towards Islamic Banking Products and services by measuring the Awareness, Knowledge, Perception, Social and Religious perspective of customers in Pakistan"

1.4 Research Objectives:

The research objectives of this study are mentioned below:

- To examine the relationship between Awareness of Islamic Banking Products and services with Attitude of customers towards Islamic Banking in Pakistan.
- To determine the relationship between Knowledge of Islamic Banking Products and services with Attitude of customers towards Islamic Banking in Pakistan.
- To examine the relationship between Perception of Islamic Banking Products and services with Attitude of customers towards Islamic Banking in Pakistan.

- To investigate the relationship between Social and religious perception of Islamic Banking Products and services with Attitude of customers towards Islamic banking in Pakistan.
- To investigate the determinants of Attitude of customers towards Islamic banking in Pakistan.

1.5 Research Questions:

The list of research questions of current work is as follow:

- What is the relationship between Awareness of Islamic Banking Products and services and the Attitude of customers towards Islamic Banking in Pakistan?
- What is the relationship between Knowledge of Islamic Banking Products and services with Attitude of customers towards Islamic Banking in Pakistan?
- What is the relationship between Perception of Islamic Banking Products and services with Attitude of customers towards Islamic Banking in Pakistan?
- What is the relationship between Social and religious perception of Islamic Banking Products and services with Attitude of customers towards Islamic Banking in Pakistan?
- Is there a positive Attitude of customers towards Islamic Banking Products and services?

1.6 Significance of the Research:

This study will provide huge benefit to the Islamic banking Industry to develop further in the market and compete with the monopolistic conventional banking products and services. Islamic banking should arrange awareness programs, collect feedbacks, Islamic banking seminars to be arranged in universities and corporate offices. These types of events will gain customer attraction and it would help the sales and marketing teams of the banks to make different strategies to market Islamic banking products and services to the customers. The study will help the market players to study customer needs and demands also.

1.7 Scope of the Research:

The scope of this research is to examine, analyze and identify the Attitude of customers towards Islamic banking products and services, it will include the potential customers, current customers and future customers. Awareness, Knowledge, Perception, Social and Religious perspective are very important determinants to find out the Attitude of customers towards Islamic banking products and services.

1.8 Delimitations:

The scope of the study is only limited to the customers residing in Islamabad and Rawalpindi. Data was collected from the corporate offices and university students.

CHAPTER 2: Literature Review

2.1 Introduction:

Banking system is the backbone of the economy in every country. As we know even local or foreign trade is not possible without the interference of banks. Banks act as an intermediary for everyone if they are individual customers or they are corporate customers. Banks provide a way of living to the people in a country and to helps them to use their money in an effective and efficient manner. This chapter provides the theoretical discussion on the Attitude of customers towards the Islamic banking products and services. The chapter further focuses on the theories that supports the variables discussed and their relationship with each other. Theories discussed to support the hypothesis are "Theory of Planned behavior", Cognitive Dissonance Theory" and Congruity Theory".

2.2 Literature Review:

Islamic banking system is extensively accepted by both Muslims and non-Muslims all over the world. Malaysia is the country where Islamic banking industry is taking over their financial institutions (Chung et al., 2013). The previous studies were mainly conducted on the perceived behaviors of customers, employee's perception in Malaysia and in Pakistan also.

According to (Ullah et al.,2015) various countries in the world have adopted Islamic banking as their financial system replacing the conventional banking based on interest (Riba). Islamic banking shares the importance on moral, ethical and religious dimensions for the development of the society. So as per our research it is important to study the determinants of the Attitude of customers towards the Islamic banking products and services in Pakistan and its relationship between the independent variables, Awareness, Perception, Knowledge, Social and religious perspective of Islamic banking in Pakistan.

In this research we aimed to measure the "Attitude of customers towards Islamic Banking in Pakistan" by evaluating the relationship of Attitude of Customers with Knowledge about Islamic Banking Products and services, Perception of Islamic Banking Products, Awareness of Islamic Banking Products and services, Social and religious perspective on Islamic Banking Products and services in Pakistan.

2.2.1 Theory of Planned Behavior:

The theory of reasoned action is now known as the "Theory of Planned behavior" was developed in 1980's was used to conduct the research to predict an individual's plan to take part in a certain behavior and attitudes of the individuals at a specified time and location. Hypothesis discussed all the attitudes and perceptions which can be controlled by human beings. According to (Ajzen, 1985) actions are controlled by our intentions but all the actions are not performed as intended by an individual. Due to certain circumstances some actions are not performed as intended by one individual. So, intentions change over time Behavioral intention is a basic element of this concept; behavioral intentions are impacted by an individual's attitude regarding the possibility that this behavior will generate the predicted result, and also individual's subjective evaluation of the consequences and benefits of that result.

Understanding any person's attitude is very difficult and important to evaluate. According to the theory of reasoned action, an individual behavior and attitude is basically based on the nature of the individual which is a personal factor and social influence on the behavior which shapes the attitude of the individual to perform certain action. The theory is majorly emphasis on "Attitude towards behavior" and an individual perception also (Ajzen, 1985).

The main factors of the theory are Attitude, Behavioral intentions and subjective norms, social norms perceived power and behavioral control. Attitude is the main component which is related to our study and help us to find more about, customer attitude shaping their intentions to adapt the Islamic banking products and services.

2.2.2 Cognitive Dissonance Theory:

The cognitive theory was introduced by Leon Festinger in 1957, the theory explained that when there is a conflict on the beliefs and values, people will try to find the way to reduce their fatigue. The theory describes the individual attitudes regarding their decision making and problem-solving processes (Sukmayadi & Yahya, 2020).

As in the current situation, people are facing different difficult situations around them. Basically, people are not aware of what to choose from and from what's not. Finding an alternative way is the only path they choose to relieve from their mental pressures and situations (Sukmayadi & Yahya, 2020).

2.2.3 The Congruity Theory:

In the 1970s, Korman. According to the theory he used to make the connection, workers would go to great lengths to keep their cognitive equilibrium in a way that is consistent with how they see themselves, and will act accordingly. The Self-Consistency Theory is other name of the Congruence Theory.

According to congruity theory an individual will feel pressured to shift his or her judgement one of the sides if there are two opposing individuals, set of the fact or ideas on which the decision must be made. (Osgood & Tannenbaum, 1955).

Clarifying the self-congruity for any normal person before presenting the study on the topic explained as, when a consumer compares his or her perception of product and services, experience of the product and services, self-congruity is the psychological processes and result the individual engages in (more used specifically, product and services personality or product and services user image) with the self-administered Identity. As described, it is the action and result that are directly connected to an individual's identification with the product and services (Osgood & Tannenbaum, 1955).

2.2.4 Attitude of Customers:

Attitude is defined as an intellectual condition which is shaped through experience by influencing one's response to the situation. Attitude is the mixture of perception and experience throughout one's life. In Bahrain, (Al Qassab et al., 2015) it was studied that Islamic banking account holders' attitude was based on their religious perspectives not on how they socially perceive Islamic banking. The investment accounts were the main choice of the customers residing in Bahrain. Customers who have positive attitude towards Islamic banking have a great interest in the PLS (profit-loss sharing). People who face risk of insolvency of their businesses the try to constantly find another way to finance their business, so profit-loss sharing mechanism is the best way to finance their entire business.

Customers are nowadays having access to internet resources and banking websites, extensively searching for the new products and services with which they can use their money to invest and get earning which is not interest based and which is of *Riba* and should be Shariah compliant. Customers also try to search out the reputations of the bank which are providing products and services, they want to aware themselves for Islamic

banking to change their perception and attitude towards Islamic banking and try to replace the conventional banking services previously used.

In Pakistan, conventional banks have now their own Islamic windows and only 5 banks are fully Islamic banks like Meezan bank, Faysal Bank, Dubai Islamic bank, Bank Islami and MCB Islamic bank. (SBP, 2020). These banks offer a huge range of Islamic banking products and services to the customers. Meezan bank offers entirely shariah compliant products to the customers and have acquired huge customer base in Pakistan. These banks have acquired so much customer base only as they have changed customers perception that bank do not only offers conventional, interest-based products, they also provide shariah complaint products. As per our research, Islamic banking has changed the customer attitude based on perception, awareness, knowledge and social and religious perspectives.

There is still a need to collect surveys and feedbacks from the customers online who use digital banking services and walk-in customers as well. Providing awareness and education to the customers by arranging seminars in universities and corporate offices. Previously literature was conducted only to differentiate between Islamic banking and conventional banking in Pakistan.

According to (Awan & Azhar, 2014), quality of services matters the most and changes customer's attitude towards any product and services. Providing a quality service to the customer leads to the satisfaction of customer and creates product loyalty.

A research conducted in Pakistan by (Ayyub et al., 2019), it was conducted on the consumers who are the users and people who do not use the Islamic banking products and services. The study was analyzed by using the theory of planned behavior. According to the research, consumer attitude changes overtime and this influences customer's buying perceptions.

As per research analysis done by (Awan & Bukhari, 2011), in this study an extensive analysis on the factors which make customers to choose the Islamic banking as compared to conventional banks. By highlighting the fact that Islamic banking is now changing the attitude of customers by providing them complete range of products with ease and long-term financing in Pakistan.

A Research conducted in Pakistan by (Aziz et al., 2019), to determine the important factors of the individual Attitude and intentions towards Takaful (Islamic Insurance), the study determined the role of trust in comparison with religious factors. Attitude is the main feature of the study as mentioned earlier attitudes shapes the intention to perform any action unless or until any unwanted circumstances happen. So, this research was conducted to see how a good attitude changes the perception and awareness towards the product and people are marketed that product to buy.

1) **Awareness and Attitude:**

H1: There is a positive relationship between Awareness (AWA) and Attitude of customers towards Islamic banking products (ATT).

According to (Al Qassab et al., 2015), Awareness of Islamic banking provides the understanding of the items used for trading in the light of shariah principles. Customers can be only aware when they would be provided with complete knowledge about all the Islamic banking products and services offered. There is a significant positive relationship with social and religious perspective of customers. As per this study there is very less understanding of the Islamic products such as Mudarbah, Musharkah, Ijarah,Salam& Istisna. Conducting extensive research and providing awareness to the customer will change the attitude of the customers towards Islamic banking. Customer's awareness, understanding levels and their accessibility of Islamic banking is making people switch from conventional banking services.

In Pakistan, mostly people are using Car Ijarah services as PLS profit and loss sharing mechanism is attracting the customers. To promote Islamic banking awareness should be created through Marketing and advertisements that Islamic banking is only conducted on Shariah principles, and more adoption towards Islamic banking will benefit our society (Awan & Bukhari, 2011).

2) *Knoledge and Attitude:*

H2: There is a positive relationship between Knowledge (KNW) and Attitude of customers towards Islamic banking products (ATT).

The term "knowledge" is defined in many different terms but mainly used as information regarding anything that contributes towards the society in positive or

negative manner. Knowledge is altogether combines with experience, awareness and having education about the matter. Product knowledge can only be delivered to the customers through marketing and extensive advertisement campaigns that grabs the attention of the customer (Hamed et al., 2015)

According to the study conducted by (Chung et al., 2013) In Malaysia 1983, a bank named Bank Islam Malaysia Berhad introduced the concept of Islamic banking in Malaysia. Malaysia still deals with the conventional and Islamic products as they living in the dual banking environments same as in Pakistan. Malaysia developed 21 Islamic banking products to be offered in Islamic bank windows by conventional banks. As per the literature of the study Islamic banking is not providing any religious status. It is the responsibility of a Muslim to discard what is prohibited by Islam for Muslims and follow the principles of Islam and replace the products and services which are based on interest. Knowledge is the most important factor that comes into play.

Providing Knowledge to the customers about Islamic banking in Pakistan shaping their attitudes positively towards the Islamic banking is difficult but marketing departments should provide different strategies by arranging the training, talent hunt and sessions to have new ideas from university students and implement them in a manner that helps the industry to grow further. Even universities for research purposes can conduct these sessions that benefits them in terms of publications. The facts and figures can only be provided by the employees working in the industry. So, knowledge has a positive significant relationship with attitude of the customers towards Islamic banking in Pakistan.

3) *Perception and Attitude:*

H3: There is a significant positive relationship between Perception (Precep) and Attitude of customers towards Islamic banking products (ATT).

According to (Haq et al., 2011) perception is the act of differentiating, being aware and realizing the facts through and individual's mental ability and it in the nature of the individual also to perceive what is good for him and what's not. Perceptions are based on the instincts of the human beings and also measure's customers satisfaction.

The study was mainly conducted on corporate customers that how they perceive the banking. As per study. Corporate customers prefer foreign banks as compared to local ones and size of the bank is also perceive positively by the corporate customers. They determined that perception and decision-making ability influences them to choose the products and services. Corporate sector customer perceived that a local bank is not able to provide the quality of services, security and efficient digital banking services as being provided by the foreign banking system.

A negative word of mouth spreads more smoothly as compared to the positive word of mouth. This negative word moth also changes the perception of the customers regarding Islamic banking regardless of the type of information provided is a rumor (Haq et al., 2011).

Perception influences the attitude of customers in positive and negative manner. So, Perception has an influence but as per our research it has a very small effect on the attitude of customers towards Islamic banking products and services.

4) *Social and religious perspective and Attitude:*

H4: There is a significant positive relationship between Social and religious perspective (SR) and Attitude of customers towards Islamic banking products (ATT).

Social and religious perspective impacts in many ways as mentioned by the idea of Social Norms and religious values. Both impacts the entire nation and shapes their attitude towards any product or service provided by banks. For example, in simple terms some people do not have a bank account in any Islamic or conventional bank. As their religious belief is that a system which is operating on interest mechanism and interest is collected on every single product offered by a bank, cannot provide him Halal earning methods. His mind is shaped by his religious perception that he is not allowed to open a bank account of his own in interest-based banking system.

According to (Chung et al., 2013), Customer's social and religious perspectives are the most important factors for the performance of Islamic banks in Malaysia. As customers with more social and religious influences, people are more comfortable to choose Islamic banking. As per (Haque et al., 2009), Many customers adapt Islamic banking as their religious responsibility but some researchers see it as that religion and

social beliefs are not the factors that entirely impacts the attitude of customers towards Islamic banking products and services. According to the study performed by (Haque et al., 2009), 40 percent of the Muslim country's customers give importance to the religious factors and there is a positive significant relationship with Attitude of the customers towards Islamic banking. The study showed that 100% of the respondents agree that religion does not have any conflict with Islamic banking and non-Muslims agree that there is an impact of religion and societal pressures impact on their attitude towards Islamic banking products and services (Chung et al., 2013).

2.2.5 Theoretical Framework
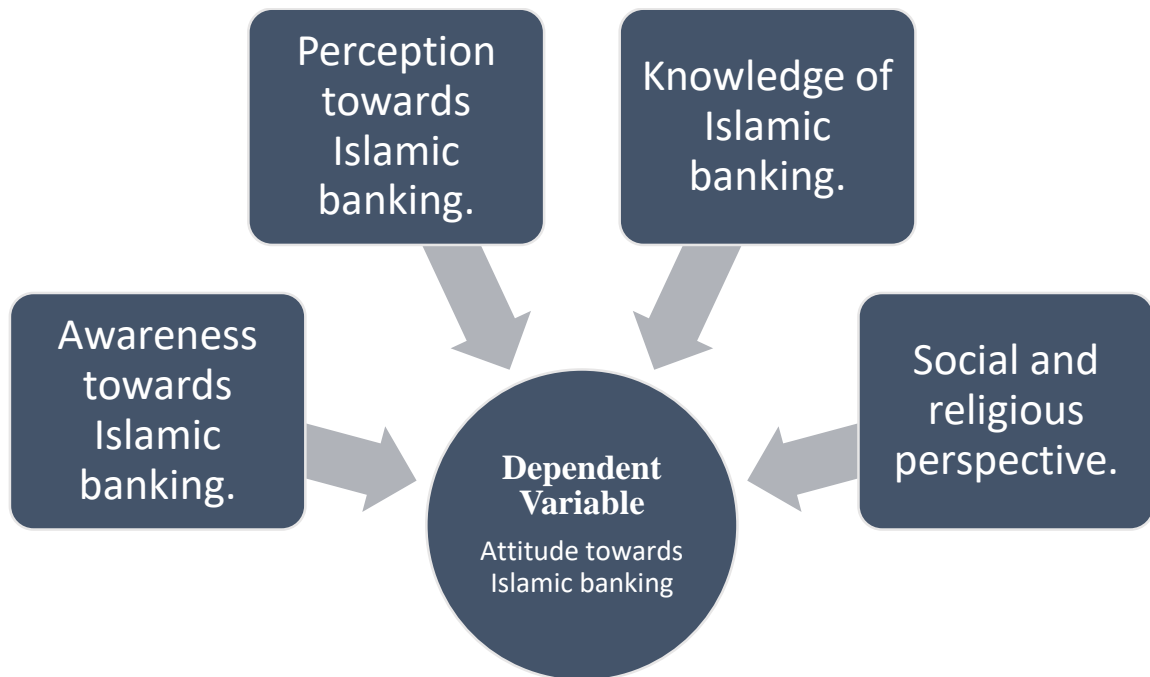
CHAPTER 3: Methodology

3.1 Introduction:

The purpose of this study is to measure the impact of determinants of Attitude of Customers towards Islamic banking in Pakistan. The research design of the study is Quantitative, and Hypothesis will be tested which are derived from Literature Review.

The study is descriptive in nature and used the survey method. "Online questionnaire" was used as a tool for collecting data from the respondents; therefore, this is a quantitative study. This chapter contains the detailed methodology and processes to obtain the data and to analyze it.

3.2 Research Approach:

There are two types of approaches in research qualitative and quantitative. Qualitative research is based on unstructured questions and Researcher's interpretations. In quantitative research the data is gathered in numeric and then data is analyzed statistically. The testing of hypothesis is done to find out relationship between the variables.

As the research is aimed to measure the "Attitude of Customers towards Islamic Banking in Pakistan" and the researcher had to find out the relationships between variables which are the determinants, Awareness, Perception, Social and religious perspectives and Knowledge. In this research quantitative research approach has been used to conduct the study. This approach will provide standardized data about all the variables and their impact on attitude of customers towards the Islamic banking.

The numeric data is used to quantify the results and afterwards generalizing them from the sample to the population of interest. As Quantitative research has benefits to measure the impact of the selected variables.

3.3 Population of the Study:

Sample is a specific number of people who are chosen for the conduction and analysis of the study and their responses presents the opinion of the whole population. The sample size is of 211 respondents.

In this study, the researcher has targeted the customers mainly students, corporate employees and the users who have the Awareness and knowledge about the Islamic banking and its products and services. It is very important to measure how they perceive the Islamic banking products and services and do they have knowledge and awareness about these products, how do they perceive Islamic banking services in context of social and religious perspective. Do they consider these useful and Shariah compliant? The study is conducted in 2 major cities Islamabad and Rawalpindi.

3.4 Sample Size:

The sample size is the portion of population selected for survey. The recommended sample size according to (Sekaran, 2003) is 30-500. This study aimed a sample size of 211 customers with different demographic backgrounds. The questionnaire was distributed electronically among customers using Islamic banking products and services.

3.5 Sampling Approach:

There are two types of sampling approaches, one is "probability sampling" and the other one is "non-probability sampling. In probability sampling, simple random sampling technique is used each and every member of the targeted population has to be included in the sample. In non-probability sampling, the sample is non-random and is based on the expertise of researchers and convenience sampling. In research, the target population is the customers who are using Islamic banking products and services. These customers are very large in size so we only used a sample size of the population to conduct our study. As the sampling frame for these customers is not available which is why we have used non-probability sampling which is also called convenience sampling technique.

3.6 Data Collection:

The primary data was collected through an online questionnaire made on "Google Forms" as it is convenient way of making a questionnaire and sharing with others. The secondary data for research was collected mainly from the journals and research articles, some data was also collected from articles, websites, books, and other internet sources.

3.7 Measurement of Variables:

The primary data for research was collected through an online questionnaire which consisted of two sections: "Section A" and "Section B". "Section A" consist of 6 sub-sections and all the items in "Section B" was based on "5-point Likert Scale" where "1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree". "Section A" contained the demographic details of respondents. The responses were kept confidential. The demographic variables included Gender, Age, Qualification, Monthly Income, Current Occupation.

3.7.1 Perception:

First subsection consisted of 5 items which measured perception about Islamic Banking Products and services the scale was adapted from (Chung et al., 2013).

Table 1 Items to measure perception

Variable	Code	Items Statement	Reference
Perception	Precep1	Reliability of Islamic banking products and services are guaranteed to consumers.	(Chung et al., 2013)
	Precep2	Pricing on Islamic banking products and services are competitive and attractive to consumers.	
	Precep3	Islamic banks provide wide range of products and services and sufficient innovations to best serve the consumers all the time.	

	Precep4	Islamic banking staffs are willing and ready to provide prompt and effective services to consumers.	
	Precep5	Islamic banks provide convenience to consumers, such as sufficient physical facilities, parking lots and interior comfort.	

3.7.2 Social and religious perspective:

The second sub-section consisted of 5 items which measured the social and religious perspective towards Islamic Banking Products and services, the scale was adapted from (Chung et al., 2013).

Table 2 Items to measure Social and religious perspective

Variable	Code	Items Statement	Reference
Social and religious perspective	SR1	Islamic banking products and services are beneficial to Muslims and non-Muslims both.	(Chung et al., 2013)
	SR2	Islamic banks provide sufficient and fair facilities to all consumers in the same way.	
	SR3	Islamic banking procedure is complex because it is compliant to Islamic rules.	
	SR4	Consumers choose Islamic banking products and services because of ethical responsibility.	

| | SR5 | Consumers choose Islamic banking products and services because of their religious responsibility. | |

3.7.3 Knowledge:

The second sub-section consisted of 5 items which measured the customer's knowledge towards Islamic Banking Products and services, the scale was adapted from (Chung et al., 2013).

Table 3 Items to measure Knowledge

Variable	Code	Items Statement	Reference
Knowledge	KNW1	Islamic banking products and services are acceptable among all Muslims and non-Muslims.	(Chung et al., 2013)
	KNW2	Personal background and religion are not my consideration when choosing the Islamic banking products and services.	
	KNW3	The concepts of interest-free and profit and loss sharing encourage me to choose Islamic banking products and services.	
	KNW4	Structure and processing transparency makes me choose Islamic banking products and services.	
	KNW5	Engaging in Islamic banking products and services would be my consideration in the near future.	

3.7.4 Awareness:

The second sub-section consisted of 5 items which measured the Awareness towards Islamic Banking Products and services, the scale was adapted from (Chung et al., 2013).

Table 4 Items to measure Awareness

Variable	Code	Items Statement	Reference
Awareness	AWA1	I choose Islamic banking for it strictly upholds the confidentiality of consumers' privacy.	(Chung et al., 2013)
	AWA2	I believe Islamic banks provide the true and accurate information of the products and services to all consumers.	
	AWA3	I trust the Islamic banks' account and operational transparency system.	
	AWA4	I am confident with the Islamic banks' security system.	
	AWA5	I am confident to deal with Islamic banks because of their image and reputation	

3.7.5 Attitude

The third sub-section consisted of 4 items which measured the Attitude of customer towards Islamic Banking Products and services the scale was adapted from (Aziz et al., 2019).

Table 5 Items to measure Attitude

Variable	Code	Items Statement	Reference
Attitude	ATT1	I believe adoption of Islamic banking is a good thing and benefits the society.	(Aziz et al., 2019)
	ATT2	I would be happy if go towards Islamic banking rather than conventional banking.	
	ATT3	I think adoption of Islamic banking products is a wise idea.	
	ATT4	I Believe that Islamic banking products are reliable.	
	ATT5	I believe that Islamic banking is secured.	

3.8 Tools for Data Analysis

The descriptive data was analyzed through "Statistical Package for the Social Sciences (SPSS) and "Partial Least Square Structural Equation Modelling (PLS-SEM)" was done with "SmartPLS software".

CHAPTER 4: Findings & Data Analysis

4.1 Introduction:

This chapter provides detailed analysis of the data which was collected during the survey. This chapter is about measurement model, reliability and validity of the data which is the followed by structural model. This chapter also include assessment of collinearity, hypothesis testing, and it also measures the effect size of independent variables on dependent variable.

4.2 Demographic Profile of the Respondents:

The data is analyzed was based on 2 respondents. the demographic profiling show that 73 respondents were female and 138 were Male. 24 respondents belong to 20-25 age group, 133 respondents belonged to the age group of 25-30 years and 45 respondents belonged to age group of 30-35 years; only 2.1% of the respondents were above the age of 40. 43.1% (91) respondents were having qualification of bachelor's Degree. Most of the respondents (42.2%) were the Private sector employees who were using the Islamic banking products and services. Most of the respondents (38.4%) are getting Above Rs.50,000/- monthly income. The detailed demographic profile is shown in the table below:

Table 6 Demographic Profile of Respondents

Category	Number of Respondents	Percent	Cumulative Percent
Gender			
Female	73	34.6	100
Male	138	65.4	65.4
Age			
20-25 years	24	11.4	11.4

25-30 years	133	63.0	74.4
30-35 years	45	21.3	95.7
40-45 years	5	2.1	98.1
45-50	3	1.4	99.5
60 Above	1	0.5	100.0
Qualification			
Matric/A-level/Diploma	18	8.5	8.5
Professional qualification	5	2.4	10.9
Below secondary school	3	1.4	12.3
Bachelor's Degree	91	43.1	55.5
Master's/PhD's	88	41.7	97.2
Secondary school	6	2.8	100.0
Occupation			
Student	56	26.5	26.5
Government and Disciplinary bodies	26	12.3	38.9
Self-employed	40	19.0	57.8
Private sector Employee	89	42.2	100.0
Monthly Income			
Below Rs.25,000	50	23.7	23.7
RS. 25,000-35,000	35	16.6	40.3
RS. 35,000-40,000	13	6.2	46.4
RS. 40,000-45,000	15	7.1	53.6
RS. 45,000-50,000	17	8.1	61.6
Above RS. 50,000	81	38.4	100.0

4.3 Smart PLS Data Analysis Approach:

Smart PLS is a data analysis software which effectively explains the complex relationships of different variables. PLS also handles a data set which has "abnormal data distributions" (Vinzi et al., 2010). Heterogeneity in the path modeling can also be measured with the help of PLS. the software used to carry out PLS-SEM is mentioned in Chap 3. The two-stage process of Structural equation modeling is carried out below and figure below shows the two-step process in detail:


```
                        Smart PLS

         Mesurement                 Strucural
           Model                      Model

    i. Internal Consistency      i. Collineariy Assesment
      ( CR, Alphs and Rho)     ii. Significance of path coefficients
  ii. Indicator Reliability ( Loadings)  iii. Coefficient of determination
  iii. Convergent Validity  (AVE)              (R²)
     iv. Discriminant validity        iv. f²  effect size
  (HTMT, Cross loadings, F and L)
```
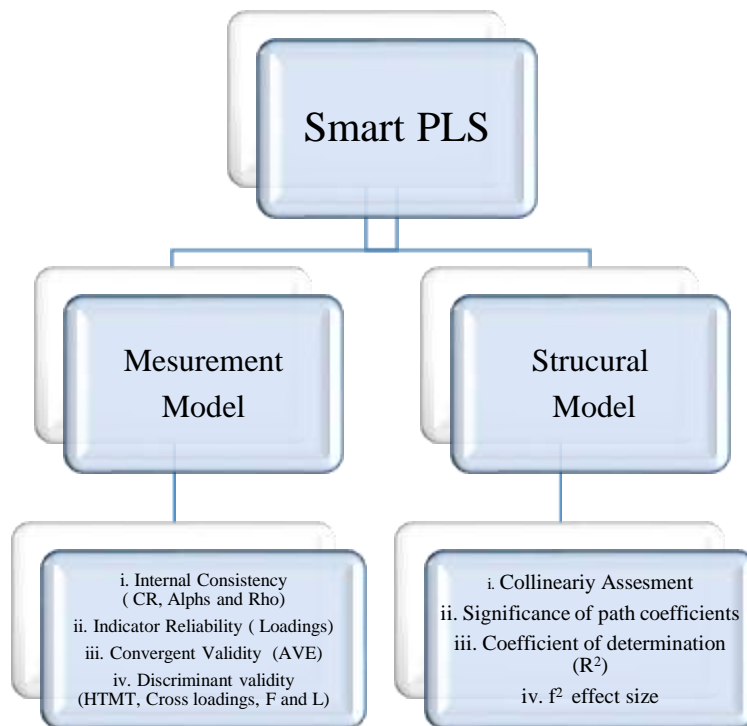
Figure 1 PLS-SEM Evaluation

4.3.1 Measurement Model

1.1 The measurement model examines the measurement characteristics of latent constructs by demonstrating how they have been assessed through observable variables with validity and reliability. The measurement model starts with Factor Loading. (Vinzi et al., 2010). In this study we used 6 variables; knowledge, Perception, social and religious perception, awareness and Attitude of customers towards Islamic Banking products and services in Pakistan, these variables were

measured through 21 items. To measure the reliability and validity of the items we used SmartPLS software.
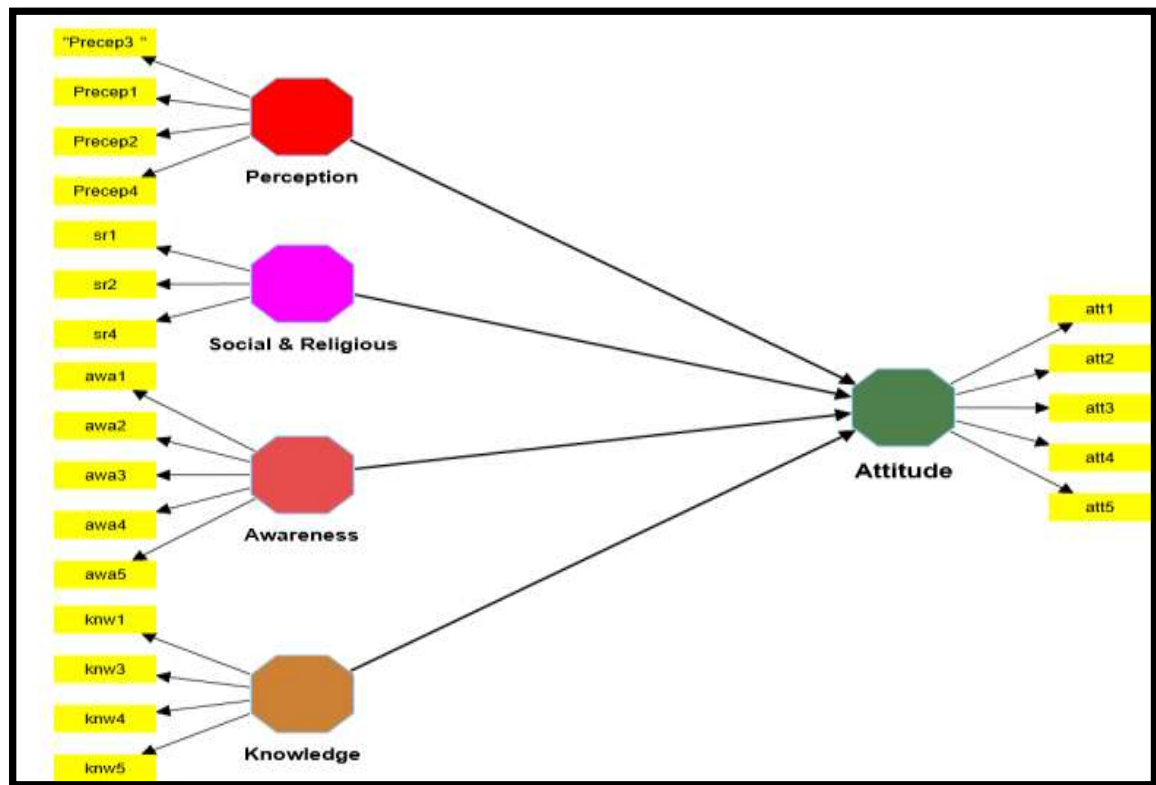
Figure: Structural Model
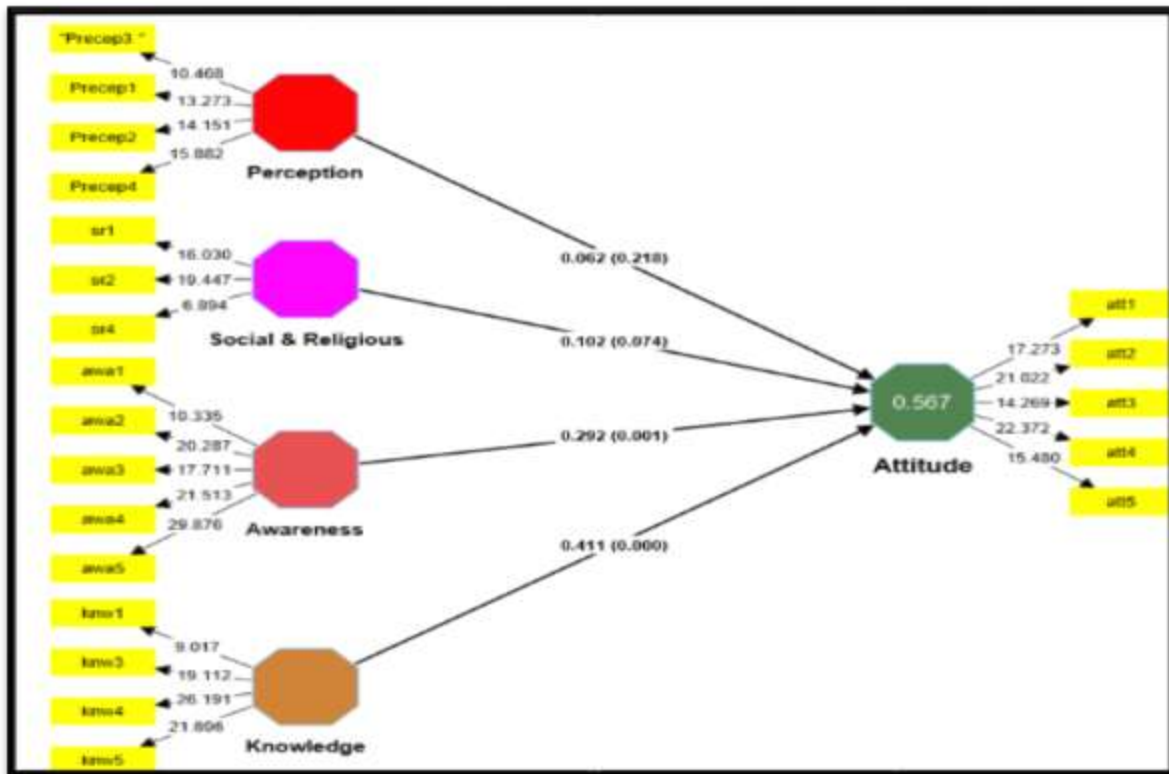
Figure Structural Model with validity and reliability in variables

4.3.2 Internal Consistency and Convergent Validity:

After building the model in SmartPLS software, the researcher would run the PLS algorithm (300 maximum iterations, path weighting scheme). This process is known as "measurement model (outer Loading model) evaluation". The outer loadings over 0.708 are encouraged, indicating that the items account for more than 50% of the variation in a construct and that item dependability is acceptable. The values above 0.60 are also acceptable according to (Byrne, 2016).

The results showed that majority of the values were above 0.708 and 0.60 which is acceptable, Precep3, KNW1,and SR4 are also acceptable according to (Byrne, 2016). The values below 0.4 are not acceptable and were removed Precep5, KNW2, SR3, and SR5 from the PLS-SEM Analysis.

Table 7 Outer Loading

Item Code	Factor Loadings
Perception	
Percep1	0.709
Percep2	0.745
Percep3	0.666*
Percep4	0.740
Attitude	
ATT1	0.750
ATT2	0.792
ATT3	0.757
ATT4	0.799
ATT5	0.731
Awareness	
AWA1	0.703
AWA2	0.779
AWA3	0.770
AWA4	0.792
AWA5	0.815
Knowledge	
KNW1	0.611*
KNW3	0.773
KNW4	0.814
KNW5	0.815
Social and Religious Perception	
SR1	0.792
SR2	0.828
SR4	0.607*

The convergent validity is seen by using the Cronbach's alpha, roh A, Composite Reliability (CR) and Average Variance Extracted (AVE). the convergent validity of our study is shown in the table below:

Table 8 Convergent Validity

Variable	CR	AVE
Perception (Percep)	0.807	0.512
Attitude (ATT)	0.877	0.587
Awareness (AWA)	0.881	0.597
Knowledge (KNW)	0.843	0.577
Social and Religious (SR)	0.790	0.561

Analysis:

The result of above table shows that CR, Cronbach's alpha and roh A for all above variables is meeting the criteria of 0.7 above of internal consistency reliability. AVE should be greater than 0.5. The above table shows that the values of convergent validity are in acceptable level of internal consistency and convergent validity.

4.3.3 Discriminant Validity:

This measure shows that to what extent the variables are different from each other. SmartPLS shows discriminant validity in three different criteria. When the square root of the construct's AVE exceeds the inter-item correlation, a measurement model has discriminating validity. It demonstrates that a construct's related items have greater variation than other things. First criteria is "Fornell and Lacker" and second is "Cross Loading" but they are not considered reliable. The third criteria "Hetrotrait-Monotrait

ratio (HTMT)" is considered reliable for discriminant validity. "HTMT is the mean of all correlations of the indicators measuring different constructs, relative to the geometric mean of the average correlations of the indicators measuring the same construct". The values of this measure should be below 0.90 which means the variables are different from each other.

For this study, all the values of HTMT were below 0.90 (shows that model is satisfactory) generated by SmartPLS and these values are shown in the table above.

Table 9 Discriminant Validity with Hetrotrait-Monotrait Ratio (HTMT)

	ATT	AWA	KNW	Precep	SR
Attitude (ATT)					
Awareness (AWA)	0.774				
Knowledge (KNW)	0.877	0.824			
Perception (Precep)	0.720	0.855	0.797		
Social and Religious (SR)	0.747	0.735	0.873	0.885	

4.4 Assessment of Structural Model:

When the structural/outer model becomes valid, we should lead towards the assessment of inner path model known as structural model. In the second step, the statistical significance of the path loadings and path co-efficient between each construct is

determined. The Bootstrap technique is used to find the relationship between the variables for assessment of the structural model. Assessment of the structural model includes 4 criteria and they are; collinearity assessment, path coefficient (Beta) that indicates strength of relationship between variables, R-Square (R^2) known as regression score and effect size of f-square (f^2) is also assessed.

4.4.1 Collinearity Assessment:

In PLS-SEM the analysis is based on Ordinary Least Square (OLS) regression of every independent variable. To assess collinearity among variables is important to remove biased estimates if any. In SmartPLS software we generate Variance Inflation Factor (VIF) to check the if there is multicollinearity. The values higher than 3.3 shows high collinearity assessment. In our model all the values are quiet below the threshold and there is no issue of collinearity found among the variables.

Table 10 Collinearity Assessments

	Attitude
AWA	2.148
KNW	2.084
Precep	2.014
SR	1.754

4.4.2 Analysis of Path Coefficient (β) and t -values:

The hypothesis testing is done through bootstrapping technique, and we measured path coefficients, t-value and p-values of the model. These values are calculated from running bootstrap of 5000 samples in SmartPLS. The values of the model are provided in the table below.

As shown in the table below, Awareness, Knowledge, Perception and Social & religious Preceptive all have t-values greater than 1.96. So, H_1, H_2, H_4, are accepted. H_3 with t-value less than 1.96 is not supported.

Table 11 Results of Structural Model and Hypotheses Testing

	Hypothesis	β	*t-value*	*p*	Decision
H₁	AWA ⟶ ATT	0.292	3.176	0.001	Supported
H₂	KNW ⟶ ATT	0.411	4.836	0.000	Supported
H₃	Precep ⟶ ATT	-0.062	0.778	0.218	Not Supported
H₄	SR ⟶ ATT	0.102	1.446	0.074	Supported

4.4.3 Explanatory Power of the Model:

The values of R-Square shows explanatory power of model. The values of R-square are between 0 and 1. The values close to one show higher predictive accuracy. This model with R-square value of 0.567 showed moderate level of predictive accuracy in Attitude of customers towards Islamic banking in Pakistan.

Table 12 Dependent Variable and Related R-Square

No	Dependent Variable	R^2
1	Attitude of Customers towards Islamic Banking	0.567

4.4.4 Effect Size f²

According to (Cohen et al., 1998) the f^2 value of 0.02 shows a small effect, the f^2 value of 0.15 shows the medium effect and f^2 value of 0.35 shows a large effect. The results show that Awareness, Perception and Social and Religious perspective have small effect on Attitude of customers towards Islamic banking in Pakistan. Whereas the effect size of knowledge is medium. The results of this model are shown in table 13 below.

Table 13 Effect Size of F-Square

Construct	Attitude of customers towards Islamic Banking
Awareness	0.092 (small effect)
Knowledge	0.187 (medium effect)
Perception	0.004(small effect)
Social and Religious	0.014 (small effect)

Chapter 5: Discussion and Implications

5.1 Introduction:

This chapter provides the analysis and detailed discussion on the results of the findings. The conclusion is mainly based on the research objectives mentioned in Introduction, Chapter 1. The main objective of the research is to analyze the effect of Awareness, Knowledge, Perception and Social and religious perspective on Attitude of Customers towards Islamic Banking in Pakistan. Below are the provided discussions about the findings and results from the study, Limitation of the study and Future recommendations are discussed.

5.2 Discussion on Empirical Findings:

The aim of this study was to analyze the impact of independent variables, Awareness, Knowledge, Perception and Social and religious perspective on the dependent variable which was Attitude of Customers towards Islamic banking. The target population were the customers who have used Islamic banking products and services having different demographic backgrounds. By using questionnaire, data was collected. To determine the validity of the suggested model, the data was analyzed using Smart PLS software for path modelling.

The findings of the research objectives are discussed below.

5.2.1 Analysis of the relationship between Awareness of Islamic banking and Attitude of Customers towards Islamic Banking:

As the objective of our research was to find out the relationship between awareness of Islamic Banking and Attitude of Customers towards Islamic Banking in Pakistan. The hypothesis is supported by the T-value found of 3.176 and p-value of 0.001, having a small effect on the Attitude of Customers.

As per statistics and findings of the study, 48.3% of the respondents adapt Islamic banking for it strictly upholds the confidentiality of consumers' privacy. 47.4% of the respondents believe Islamic banks provide the true and accurate information of the products and services to all consumers. 45.5% trusts the Islamic banks account and operational transparency system. Respondents with a percentage of 49.3% are confident

with Islamic banking is secure. 48.3% of the respondents are confident to deal with Islamic banks because of their image and reputation (Chung et al., 2013). SPSS statistics software is used to find the percentages of the respondents.

These results and statistics show that customers have no complete awareness about Islamic banking products and services that is why it has a very small effect on Attitude of customers. These results are analyzed according to (Chung et al., 2013). Customers should be provided Awareness about the Islamic banking products and services to promote shariah based banking rather than conventional banking.

5.2.2 Analysis of the relationship between Knowledge of Islamic banking and Attitude of Customers towards Islamic Banking:

The objective of our research was to find out the relationship between Knowledge of Islamic Banking and Attitude of Customers towards Islamic Banking in Pakistan. The hypothesis is supported by the T-value found of 4.836 and β value of 0.411, having a medium effect on the Attitude of Customers.

As per statistics and findings of the study, 46.4% of the respondents believe that Islamic banking products and services are acceptable among all Muslims and non-Muslims. 47.4% of the respondents believe personal background and religion are not in their consideration when choosing the Islamic banking products and services. 15.2% of the respondents believe that concepts of interest-free and profit and loss sharing motivated them to adapt Islamic banking products and services. Respondents with a percentage of 49.8% have awareness about structure and clear picture makes them choose Islamic banking products and services. 16.1% of the respondents will engage themselves and consider to take Islamic products. SPSS statistics software is used to find the percentages of the respondents.

These results and statistics show that customers have a little but not complete knowledge about Islamic banking products and services that is why it has a medium effect on Attitude of customers. These results of hypothesis are analyzed according to (Chung et al., 2013). Customers should be provided complete Knowledge about the Islamic banking products and services for having a positive attitude of customers towards Islamic banking. Banks should arrange some events and seminars in corporate organizations also in universities to educate people about Islamic Banking products and services.

5.2.3 Analysis of the relationship between Perception of Islamic banking and Attitude of Customers towards Islamic Banking:

As the objective of our research was to find out the relationship between Perception of Islamic Banking and Attitude of Customers towards Islamic Banking in Pakistan. The hypothesis is not supported by the T-value found of 0.778 (which should be equal or greater than 1.96) and p-value of 0.218 (which should be less than 0.05), having a small effect on the Attitude of Customers.

As per statistics and findings of the study, 44.1% of the respondents believe that accuracy of Islamic banking products and services provide assurance to consumers and 13% people disagree on this statement. 53.6% of the respondents believe that pricing on Islamic banking products and services are competitive and attractive to consumers. and 14.3% do not feel that pricing is competitive and attractive to the customers. 15.2% concepts of interest-free and profit and loss sharing encouraged them to adapt Islamic banking products and services. Respondents with a percentage of 55.5% perceive that Islamic bank provide huge range of products and services and innovations to best serve the customers all the time and 16.1% of the respondents does not feel like. 59.7% of the respondents perceive that Islamic banking staffs are willing and ready to provide prompt and effective services to consumers. SPSS statistics software is used to find the percentages of the respondents.

These results and statistics show that customers perception about Islamic banking products and services is positive in nature. That is why it has a small impact on Attitude of customers. These results of hypothesis are analyzed according to (Chung et al., 2013) but findings do not support (Chung et al., 2013). Customers should be provided education about the Islamic banking products and services for having a positive attitude of customers towards Islamic banking. Banks should collect surveys and feedbacks from the customers, from walk-in as well as people who are using Digital Islamic banking services to find out how customers perceive Islamic banking and how much they are willing to adopt Islamic products rather than conventional products and services.

5.2.4 Analysis of the relationship between Social and religious Perspectives on Islamic banking and Attitude of Customers towards Islamic Banking:

As the objective of our research was to find out the relationship between Social and Religious perspective on Islamic Banking and Attitude of Customers towards Islamic Banking in Pakistan. The hypothesis is supported by the T-value found of 1.446 and p-value of 0.074, having a small effect on the Attitude of Customers.

As per statistics and findings of the study, 60.2% of the respondents believe that Islamic banking products and services are beneficial to Muslims and non-Muslims both. and 14.2% people disagree on this statement. 62.5% of the respondents believe that Islamic banks provide quality services and complete facilities to all customers in the same way and 9.5% do not feel that Islamic Banks provide quality services and complete facilities to all customers. 64% of the customers perceive that consumer choose Islamic banking products and services because of their ethical responsibility and 14.2% of the respondents disagree with the statement. SPSS statistics software is used to find the percentages of the respondents.

These results and statistics show that customers social and religious perception about Islamic banking products and services is constructive in nature. That is why it has a small effect on Attitude of customers. These results of hypothesis are analyzed according to (Chung et al., 2013) and findings supports (Chung et al., 2013). Social and religious perspective of customers are very important as both are the way of life with which everyone has to live as decision making is based on it. Islam has provided Muslims to differentiate between Halal and Haram, so their religious perspective matters while opting the banking services.

5.2.5 Analysis of the Attitude of Customers towards Islamic Banking in Pakistan:

As per our research, 69.2% of the people believe that adoption of Islamic banking is a good thing and benefits the society. 70.1% of the respondents would be satisfied to adopt the Islamic banking products and services rather than conventional banking. 70% of the customers think adoption of Islamic banking products and services is a wise idea. 68.3% of the respondents believe that Islamic banking products are reliable and they will consider the opting the Islamic banking. 72.5% of the respondents believe that Islamic banking is secured. Overall, Customers have a good and positive Attitude towards the adoption of Islamic banking products and services in Pakistan and Industry will grow

and develop further. These results are analyzed according to (Aziz et al., 2019) and findings supports (Aziz et al., 2019).

5.3 Contribution and Implications of Research:

This study will benefit and focuses on the growth of Islamic banking industry. As this will help the industry to work on the determinants i.e., Knowledge, Awareness, Perception, Social and religious perspectives. The banks should extensively collect feedback and data from customers about the Islamic banking.

5.4 Limitations of the study:

Due to limited resources and time constraints the study was conducted in only two cities of Pakistan, Islamabad and Rawalpindi. These findings may not be generalized to the whole country but represents the small population and the respondents having different backgrounds so results vary. Secondly, the questionnaire was also not self-administered and was acquired from (Aziz et al., 2019) and (Chung et al., 2013). The data was collected from the corporate offices and students also, although the findings cannot provide the attitude of the customers towards Islamic banking but sample represents the whole population. With a larger population and data collected from other cities in Pakistan the results of the study may vary.

5.5 Direction for Future Research:

Future researchers can use more determinants of attitude to conduct the study. This study will help the future researchers to conduct the study in more cities. They should also use the increased number of questions in questionnaire to conduct the study. Moreover, only four independent variables are used in conducting the research, it is suggested that future researchers can add more independent variables to conduct the research.

5.6 Conclusion:

Islamic banking Industry has emerged as an alternative providing replacement for the Conventional banking products and services which are solely based on Interest *Riba* which is prohibited in Islam. Islamic banking provides the solution to the customers to the customers who wants to protect their wealth from being used in any non-halal way. The Attitude of customers towards Islamic banking products and services in Pakistan,

Awareness, Knowledge, Perception, social and religious perspective has been determined in the study.

As per the findings of the study, we have come to the conclusion that Awareness, social and religious perspective, knowledge, has complete and significant impact on the Attitude of customers towards Islamic banking in Pakistan. Moreover, perception has no impact on the Attitude of customers. The findings of the research concludes that Islamic banking should educate and aware their customer and provide product knowledge to customers in Pakistan by arranging the seminars and sessions in universities for Islamic banking. To educate customers how they can differentiate between the Islamic banking and adapting the Islamic banking rather than conventional banking.

APPENDIX A: QUESTIONNAIRE

Questionnaire

The following statement is about **The Determinants of attitude of customers towards Islamic banking in Pakistan.** For each item of the statements below, please indicate the extent of your agreement & disagreement by ticking the appropriate response.

1= Strongly Agree
2= Agree
3=Neutral
4= Disagree
5= Strongly Disagree

Section A: Demographic profile

1. **Gender:** ☐ Male ☐ Female

2. **Age:** ☐ < 20 ☐ 20-29 ☐ 30- ☐ 40-49 ☐ 50-59 ☐ 60>

3. **Highest qualification:**

☐ No formal education ☐ Matric/ A-Level/ Diploma ☐ Professional qualification

☐ Below secondary school ☐ Bachelor's Degree ☐ Others: _____

☐ Secondary school ☐ Master's/ PhD's Degree

4. **Current Occupation:**

☐ Student ☐ Government disciplinary bodies ☐ Self-employed

☐ Private sector Employee

5. **Monthly Income**

☐ Below Rs.25,000/- ☐ Rs.25-35,000/- ☐ Rs.35-40,000/-

☐ Rs.40-45,000/- ☐ Rs.45-50,000/- ☐ Above 50,000/-

Perception

No.	Statement	Response				
1	Reliability of Islamic banking products and services are guaranteed to consumers.	1	2	3	4	5
2	Pricing on Islamic banking products and services are competitive and attractive to consumers.	1	2	3	4	5
3	Islamic banks provide wide range of products and services and sufficient innovations to best serve the consumers all the time.	1	2	3	4	5
4	Islamic banking staffs are willing and ready to provide prompt and effective services to consumers.	1	2	3	4	5
5	Islamic banks provide convenience to consumers, such as sufficient physical facilities, parking lots and interior comfort.	1	2	3	4	5

Social and Religious perspectives

No.	Statement	Response				
1	Islamic banking products and services are beneficial to Muslims and non-Muslims both.	1	2	3	4	5

2	Islamic banks provide sufficient and fair facilities to all consumers in the same way.	1	2	3	4	5
3	Islamic banking procedure is complex because it is compliant to Islamic rules.	1	2	3	4	5
4	Consumers choose Islamic banking products and services because of ethical responsibility.	1	2	3	4	5
5	Consumers choose Islamic banking products and services because of their religious responsibility.	1	2	3	4	5

Awareness

No.	Statement	Response				
1	I choose Islamic banking for it strictly upholds the confidentiality of consumers' privacy.	1	2	3	4	5
2	I believe Islamic banks provide the true and accurate information of the products and services to all consumers.	1	2	3	4	5
3	I trust the Islamic banks' account and operational transparency system.	1	2	3	4	5
4	I am confident with the Islamic banks' security system.	1	2	3	4	5
5	I am confident to deal with Islamic banks because of their image and reputation.	1	2	3	4	5

Knowledge

No.	Statement	Response				
1	Islamic banking products and services are acceptable among all Muslims and non-Muslims.	1	2	3	4	5

2	Personal background and religion are not my consideration when choosing the Islamic banking products and services.	1	2	3	4	5
3	The concepts of interest-free and profit and loss sharing encourage me to choose Islamic banking products and services.	1	2	3	4	5
4	Structure and processing transparency makes me choose Islamic banking products and services.	1	2	3	4	5
5	Engaging in Islamic banking products and services would be my consideration in the near future.	1	2	3	4	5

Attitude

No.	Statement	Response				
1	I believe adoption of Islamic banking is a good thing and benefits the society.	1	2	3	4	5
2	I would be happy if go towards Islamic banking rather than conventional banking.	1	2	3	4	5
3	I think adoption of Islamic banking products is a wise idea.	1	2	3	4	5
4	I Believe that Islamic banking products are reliable	1	2	3	4	5
5	I believe that Islamic banking is secured.	1	2	3	4	5

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