



CUSTOMER ACCEPTANCE DETERMINANTS FOR ISLAMIC BANKS IN PAKISTAN

A thesis
Presented to
The faculty of
Management Sciences
Bahria Institute of Management & Computer Science, Karachi

In Partial Fulfillment
Of the Requirements for the
Degree Master in Business Administration

By

**SAAD AHMED
REG#11449
FEBRUARY, 2013**

Acknowledgement

In the name of Allah, the most beneficent and merciful, who holds all the keys of knowledge and success. First I really would like to thank to Almighty Allah who gave me the power and enlightened me with the enough knowledge to complete my final dissertation.

After that I would like to thank my respected supervisor Mr. Amir Manzoor, who supported me with his great knowledge in order to make this thesis more meaningful and found as a more beneficial to the relevant people. His guidance and precious time help me out throughout the thesis work and finally have played a vital role to the success of this research.

Last but not the least; I am also thankful to all my family members, friends, and other people, to whom I met during the time of research, for their precious suggestions and motivation on different occasion of the research. Without their support I cannot find myself as much confident as I felt after their supports and finally I completed the thesis with quite confident and perfect manner. I would like to specially thank my parents who supported me to do my MBA program and complete it with success.

May Allah shower His special blessing to you all people for your support and guidance.

Ameen

Table of Contents

<i>Abstract</i>	7
Chapter 1:	8
<i>Introduction And Problem Statement</i>	8
1.0 Introduction	9
1.1 Origin of Islamic banking	9
1.2 Problem statement	10
1.3 Growth of the industry	10
1.4 Significance of the study	11
1.5 Scope	12
1.6 Limitations	12
Chapter 2:	13
<i>Review of related literature & studies</i>	13
2.0 Literature Review:	14
Chapter 3:	17
<i>Research methodolgy & Procedure</i>	17
3.0 Research Methodology and Procedure	18
3.1 Research Design	18
3.2 Sources of data	18
3.3 Sampling frame	19
3.4 Sampling Plan	19
3.5 The instrument used	20
3.6 Demographic section (Table 1)	21
Chapter 4:	22
<i>Presentation Analysis</i>	22
4.0 Presentation Analysis and findings	23
4.1 Selection of a particular Islamic bank	23
4.2 Determinants :Religious Reasons	24
4.3 Convenience	25

4.4 Service quality.....	26
4.5 Bank Image & Reputation.....	26
4.6 Products offered and Transparent practices	27
4.7 Ranking of factors according to their importance	28
Chapter 5:	29
Summary of finding, Conclusion & Recommendations.....	29
5.1 Conclusion	30
5.2 Recommendations.....	31
REFERENCES.....	33
Appendix	35

Abstract

Purpose - The main purpose of this paper is to report a study into: the determinants affecting a customer's decision to patronize Islamic banking in Pakistan.

Design/methodology/approach - In this research data was mainly collected with the help of structured questionnaire having convenient sample size of no more than 50 respondents from selected areas of Karachi which was convenient for the researcher. The researcher selected five conventional banks which are operating in Karachi and selected at least three branches of each conventional bank to conduct the research. The data was then analyzed using Microsoft Excel as a tool and it is supposed to be more appropriate for the analysis of the study.

Findings - It was found that "Religion" was the most important factor which made customers' shift from conventional banks to Islamic banks followed by "Convenience", as the second most important factor and "Service Quality" was ranked at the third position. Furthermore, other factors didn't show much more relation in order to patronize Islamic banks. Another useful finding was that Meezan bank having more attraction towards conventional banking customers as compared to other Islamic banks.

Research limitations - Limitation of this study is that data is mainly collected from conventional banks customer. Apart from that, the data is collected from fewer numbers of respondents which are convenient for the researcher and only in selected areas of Karachi. Most of respondents did not have sufficient knowledge to answer some questions in the survey due to which they tended to choose the neutral option on the Likert scale.

Practical implications - The most important practical implication of this study is for Islamic banks. The management and the banker's of the Islamic banks can easily benefits from my findings in the development, and implementation stage of their future marketing strategies.