

CUSTOMER AWARENESS AND ITS SATISFACTION ABOUT ISLAMIC BANKING

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***ABSTRACT-**This study analyzes the customer awareness and its satisfaction about Islamic banking. The idea of Islamic banking is not a new. Islamic banking has become popular throughout world and it expanding rapidly. The objective of this paper is to study customer awareness and satisfaction about Islamic banking. For this purpose, we collected primary data through a structure questionnaire. About 200 questionnaires were distributed among the respondents selected through random sampling out which 156 were found correct and included in this analysis. During sampling process, we consider age, education level, gender, religion, level of income and occupation of the customers of Islamic Banks. 5-points Likert Scale used to draw the results, which reveal the customers have sufficient awareness about the products of Islamic Banks but they are unable to understand fully their Arabic meaning of these products.*

Key word: Islamic banking, customer satisfaction, customer awareness, Conventional Banking.

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1. INTRODUCTION:

1.1 Background of the Study:

Islamic Banking was introduced in 20th Century and it is not a new one. It was introduced because there was its need for th Muslim customers who wanted the financial institutions that fulfilled their need and demands according to Islamic Shari'ah. The main sources of Shari'ah are the Holy Quran, Sunna, Qiyas and Ijtihad. commercial banking is completely based on interest system, which not allowed in Islamic Shari'ah principals. Therefore, Muslim needs Islamic banking for their financial dealings. (Gait and Worthington, 2007) Islamic banking was initiated in Pakistan through changing the operation of specialized investment organizations like National Investment Trust (NIT), Investment Corporation of Pakistan (ICP), and House Building Finance Corporation (HBFC) in July 1, 1979 and in mid of 1980s the commercial banks were directed to carry on business on profit and loss basis.

More than 40 modarba companies were launch at Karachi stock exchange and dozens of leasing companies started business on Islamic principle Ijarah (Leasing). In November 1991 Federal Shariat Court declared interest as illegal and prohibited commercial banks to charge it. However, it was later stayed by the Supreme Court of Pakistan. The Commission for Transformation of Financial system set up in the State Bank of Pakistan recommended to phase out interest-based system in August 2001. In 2001 Al-Meezan Investment Bank was accorded first license of full-fledged Islamic Commercial Bank to start the business in Pakistan. It was the milestone of the initiation of Islamic Banking in Pakistan. Later on, State Bank of Pakistan also granted licenses to Al-Baraka Islamic Bank, Dawood Islamic Bank, Bank Islami Pakistan, Dubai Islamic Bank and Emirate Islamic Bank to start banking on Shariah basis.

1.2 Statement of Problem

Islamic banking is growing rapidly in Pakistan and branches of Islamic banks have grown exponentially during last 15 years. We have intended to study whether the customers of Islamic banks are fully aware of the products and satisfy about the services of Islamic banks.

1.3. Objective of the Study:

The objectives of study are outlined in the following: -

- ▶ To examine the role of Islamic Banks in Pakistan.
- ▶ To measure the perception of Muslims and non-Muslims in Pakistan about Islamic banking.
- ▶ To investigate the customer satisfaction and awareness about Islamic Banking
- ▶ To make suggestions how to improve the services and awareness of Islamic banks.

1.4 Research Questions:

On the basis of the above objectives of the study the main research questions of this research study are stated as under: -

- Are the Muslims in Pakistan aware of Islamic Banking products and services?
- Are the Muslims in Pakistan understood about the basic principles of Islamic banking?
- What are the perceptions of Muslims in Pakistan towards Islamic banking?
- Are the demographic factors (age, religions, education, occupation, income) influences the awareness of Islamic Banking products and services among Muslims in Pakistan?

1.5 Significant of the Research

The scope if this study is wide because Islamic banking and its customers base as well as its products and services are expanding rapidly. The results of this study will be beneficial for Islamic bankers, policy makers and researchers.

2. LITERATURE REVIEW:

Okumus (2005) worked on customer satisfaction about interest free banking system and banks selection criterion. In this study the awareness, satisfaction and

Special finance houses (SFHs) as well as conventional banks' inputs were used for analysis. This study suggested that the customers must be educated about the products of Islamic banks.

Awan (2009) carried out comparative study of Islamic and conventional banking in Pakistan and concluded that Islamic Banks have substantial growth potential because of people' anti-interest approach.

Gait (2009) worked on Libyan attitudes towards Islamic modes of finance: An empirical analysis of retail consumers, business firms and banks was carried out. In this study he used survey method and collected data of 385 retail consumers, 296 business firms and 134 bank managers. He concluded that awareness is developing about Islamic banking in Libiya..

Awan and Azhar (2014) conducted study on the customers' behavior towards Islamic banking in Pakistan. They used primary data in this study and ratio analysis was used to draw the results. They concluded that the customers' behavior towards Islamic banking is positive and they are availing their services happily.

Ahmad et al. (2010) explored the conventional and Islamic banking in Pakistan. In this research They studied public Sectors or commercial banks, local private banks, foreign banks, and specialized banks. They estimated that all public sector banks showed god performance because of Government protection and low level of competition. They suggested that the government should provide level playing field to private Islamic banks vis-à-vis public sector and private commercial banks.

Ling et al. (2012) examined the customer awareness of Islamic banking among Muslim in Malaysia. In this study they used the ANOVA test and correlation analysis. They pleaded that education must be important for awareness of the customers. When people of Malaysia were educated then understanding in relation to Islamic banking will be goods.

Shabbir et al. (2012) explored the quality services of Islamic and non-Islamic banks operating in Pakistan. In this study they used the questionnaire for data analysis. They compared the quality of services of Islamic and conventional banks. They emphasized that Islamic bank should use latest technology to improve their services and to compete with conventional banks in an efficient way.

3. RESEARCH METHODOLOGY

3.1 Nature of Research

3.1. Design of study:

This study is quantitative in nature because we use both primary and secondary data. Primary data was collected through questionnaire from a randomly selected respondent while secondary data was taken from financial statements of Islamic Banks, Islamic Banking Department of the State Bank of Pakistan and database of Pakistan Stock Exchange. The data was collected through interviews and field survey methods.

3.2 Sample of study

200 questionnaires were get filled but out of the 156 were found correct for analysis. So this analysis is based on 156 respondents. The respondents are those who are working with Islamic banks in different cities of Pakistan. The questionnaires were get filled from the respondents after explaining purpose of study.

3.4 Analytical techniques:

A Likert Scale is scales applied to measure the approach in which the respondents are inquire to show the level of agreement or disagreement with the statement linked to the objects. The aim of a Likert scale is to identify the attitude of community towards the given object by inquiring them the degree to which they agree or disagree with them.

4. DATA ANALYSIS:

4.1 Descriptive Analysis

The descriptive statistics of the study are presented in the table 1. Descriptive statistics consists of procedures used to summarize and describe the characteristics of a set of data. The table consists of Age, Religion, Education level, monthly Income and occupation of respondents.

Table 1: Respondents Demographic Profile

		Frequency	Percent
Age	20 or less	17	5.1
	21-30 years	56	48.1
	31-40 years	50	35.9
	41-50 years	25	5.8
	50 and above	8	5.1
Gender	Male	124	51.3
	Female	76	48.7
Religion	Muslims	154	98.7
	Non-Muslims	2	1.3
Educational Level	Less than high school	8	5.1
	High school	25	16
	Bachelor Degree	60	38.5
	Master	43	27.6
	Professional	20	12.8
Occupation	Self employed	59	37.8
	Private sector employee	69	44.2
	Govt. sector employee	23	14.7
	Retired.	5	3.2

Monthly Income	5001- 10000	28	17.9
	10001-15000	19	12.2
	15001-20000	35	22.4
	20001-30000	25	16
	30001 and above	49	31.4

Source: Results calculated by authors.

4.2 Characteristics of Customers:

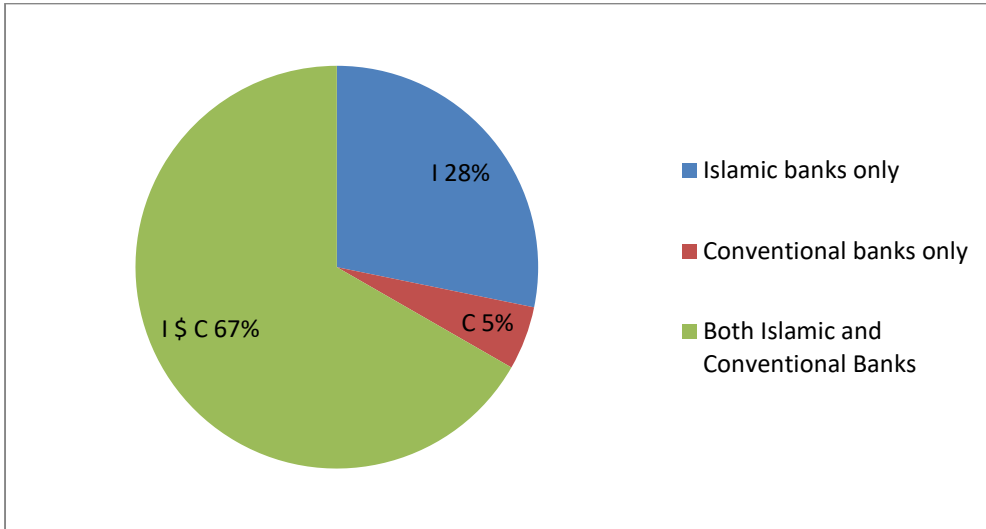
It is very important to think about the customers of Islamic Banking keeping money framework which holds account just in Islamic banks or utilize other banks as well. Table 42 shows that we should need to think about the explanation for this, that why they have embraced the administration of standard banks along with Islamic banking framework.

Table 2: Customer selected baking system

	Frequency	Percentage
Islamic banks only	44	28.2
Conventional banks only	8	5.1
Both conventional and Islamic banks only	104	66.7

Source: Results calculated by authors.

Figure 1: Characteristics of selected customers



The data show total number of 156 respondents, in which 80 were males and 76 were females. Among these 156 respondents, there are 44 (28.2%) of those who are dealing with Islamic banks only while 104 customers (66.7%) are those who are dealing with both Islamic and conventional banks. Only 8 customers were those who were dealing exclusively with conventional banks.

4.3. Customers' views dealings with both Banking systems

The views of customers dealing with both Islamic and conventional banks are given in Table 3.

Table 3: Views of customers dealing with both banking systems

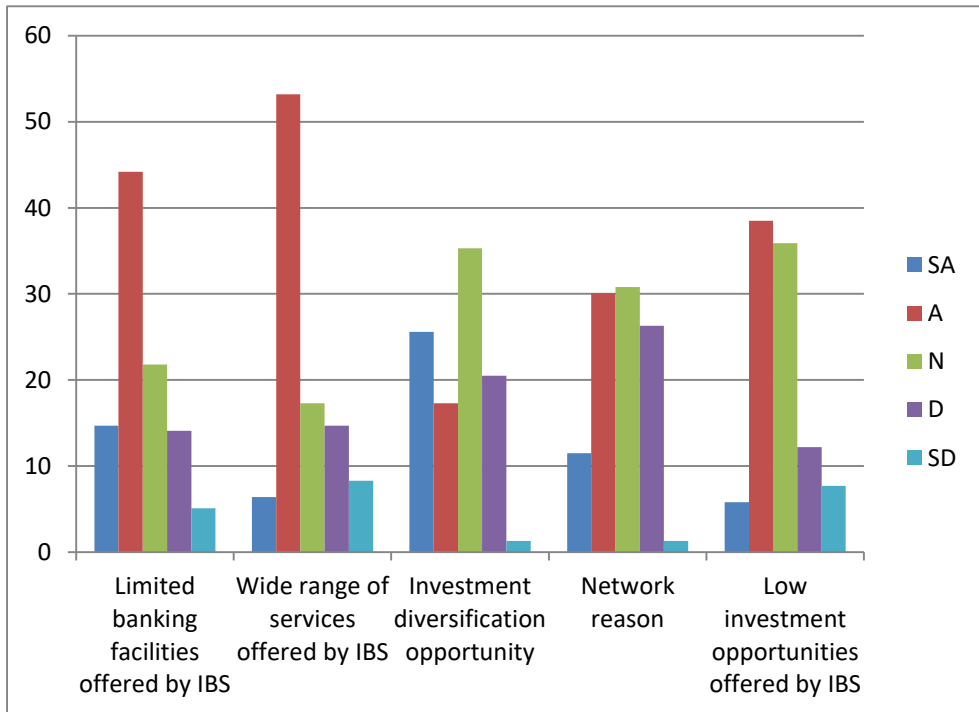
No.	Value	Strongly agree		Agree		Neutral		Disagree		Strongly disagree		
		F	%	F	%	F	%	F	%	F	%	
1	Limited banking facilities offered by IBS	23		1	69	4	34	2	22	1	8	5
				4		4		1		4		.
					1
				7		2		8		1		
2	Wide range of service offered by IBS	10		6	83	5	27	1	23	1	13	8
				.		3		7		4		.
				4		.		.		.		3
						2		3		7		

3	Investment diversification opportunity	40	2	27	1	55	3	32	2	2	1
			5	7			5		0		.
				3
			6	3			3				
4	Network reason	18	1	47	3	48	3	41	2	2	1
			1	0			0		6		.
				3
			5	1			8		3		
5	Low investment opportunities offered by IBS	9	5	69	3	56	.	19	1	12	7
			.	8			9		2		.
			8	.					.		7
				5					2		

Source: Results calculated by author

Based on the table 3, it shows that more than half of the respondents (44.2%) agree with limited banking facilities offered by Islamic banks. 83 (53.2%) of the respondents agree with wide range of services offered by Islamic banks. 24 (17.3%) of the respondents were agreed with investment diversification opportunities. 47 (30.1%) respondents were agreed with network reasons. 69 (38.5%) respondents agreed with low investment opportunities offered by Islamic banks. Majority of the respondents were agreed that both Islamic as conventional bank systems should work side by side to provide services to all types of customers.

Figure 2: Customer's reasons behind dealing with both Islamic and conventional banking



4.4 Customers only dealing with Islamic Banks

The views of customers dealing with only Islamic banks are given in Table 4.

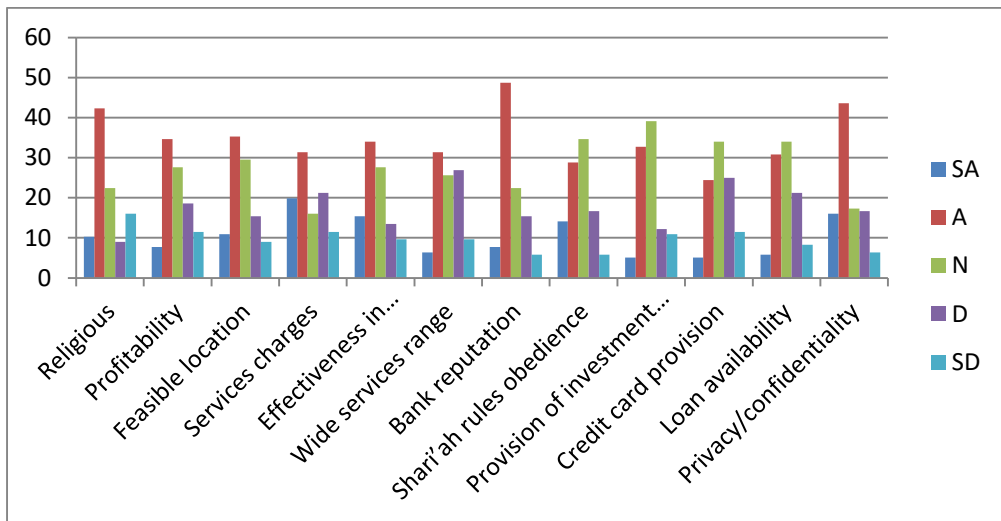
Table 4: views of customers dealing with only Islamic banks

		Strongly Agree		Agree		Neutral		Disagree		Strongly Agree	
		F	%	F	%	F	%	F	%	F	%
1	Religious	16	10.3	66	42.3	35	22.4	14	9.3	25	16.3
2	Profitability	12	7.7	54	34.6	43	27.9	29	18.8	18	11.7
3	Feasible location	17	10.9	55	35.3	46	29.7	24	15.6	14	9.3
4	Services charges	31	19.9	49	31.4	25	16.3	33	21.5	18	11.7
5	Effectiveness	24	15.4	53	34.4	43	27.9	21	13.7	15	9.6
6	Wide services	10	6.4	49	31.4	40	25.9	42	26.9	15	9.6
7	Bank reputation	12	7.7	76	48.8	35	22.4	24	15.6	9	5.8
8	Shari ah rules obedience	22	14.1	45	28.8	54	34.6	26	16.7	9	5.8
9	Provision of investment opp.	81	51.9	51	32.7	61	39.6	19	12.2	17	10.9
10	Credit card provision	88	56.2	38	24.4	53	34.4	39	25.3	18	11.7
11	Loan Availability	98	63.3	48	30.8	53	34.4	33	21.5	13	8.3
12	Privacy confidentiality	25	16.3	68	43.6	27	17.3	26	16.7	10	6.4

In table 4, it shows with the intention of more than half of the respondents (42.3%) agreed with religion, because Muslims preferred their religion while 54 (34.6%) of the respondents agreed with profitability. Profit is the desire of every person and organization. 55 (35.3%) of the respondents agreed with feasible location, which is possible to reached easily. 49 (31.4%) respondents agreed with services charges. 53 (34%) respondents agreed with easily transaction system. 49 (31.4) of the respondents

agree with wide services charges. Majority of the respondents are agreed with bank reputation with frequency 76 (48.7%). 45 (28.8%) of the respondents agreed with Shari'ah rules obedience, 51 (32.7%) of the respondents agreed with provision of investment opportunities. 38 (24.4%) of the respondents agreed with loan availability and 48(30.8%) of the respondents agreed with privacy. Only short levels of respondents are not agreed with both Islamic banking systems.

Figure 3 Dealing with Islamic banking system by Respondents



The graph shows the respondents dealing with Islamic Banks in Pakistan, in which SA shows strongly agree, A shows agree respondents, N shows neutral, D shows disagree and SD shows strongly disagree respondents in Pakistan. This percentage shows by bar chart of different colors. By the graph shows the ratio agreed respondents is high but strongly disagree respondents is low. It means that Islamic banking system is better for the Muslims in Pakistan.

4.5 Respondents understanding Arabic language used in Islamic banks

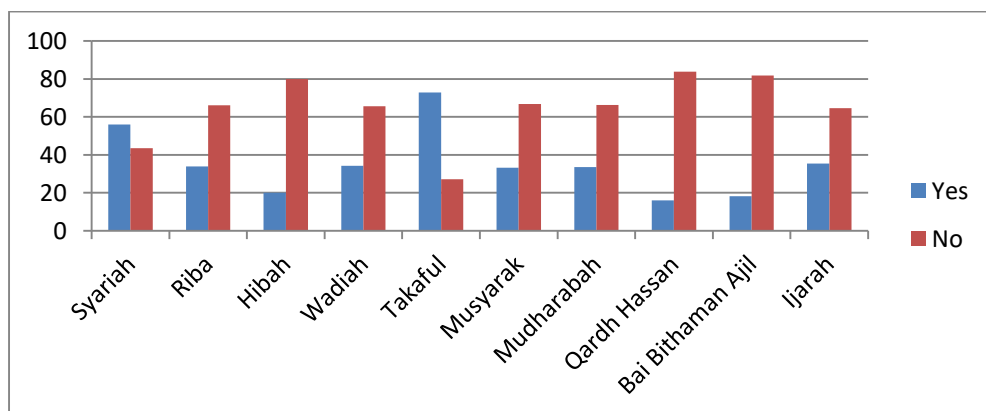
The response of the customers of Islamic banks who understand the meaning Arabic terms in Islamic banking is given in Table 5.

Table 5: Respondents understanding level (Arabic Terms)

No.	N	Yes		No		N	o	Yes		No	
		F	%	F	%			F	%	F	%
1	Syaria	15	56.	12	4.6	6	Musyarakah	93	33.	18	66.
	h	7	1	2					2	7	8
2	Riba	95	33.	18	66.	7	Mudharabah	94	33.	18	66.
			9	5	1				6	6	4
3	Hibah	56	20	22	80	8	Qardh	45	16.	23	83.
				4			Hassan		1	5	9
4	Wadia	96	34.	18	65.	9	BaiBithama	51	18.	22	81.
	h		3	4	7		n Ajil		2	9	8
5	Takaf	20	72.	76	27.	10	Ijarah	99	35.	18	64.
	ul	4	9		1				4	1	6

Source: Results calculated by authors.

Figure 4: Respondents understanding level



With help of above table and Graph we come to know that, 115 respondents understand full meaning of Arabic terms and their percentage is (72.9 %.) Also 80 respondents known the meaning of Syari'ah and their percentage is (56.1%). As for riba, wadiah, musharakah, mudharabah and ijarah, the number of respondents who know their meaning are almost the same. 56 respondents who know the meaning of hibah and their percentage is (20 %). Only 45 of respondents know the meaning of Qardh Hassan and their percentage is (16.1%).

4.6 Customer Satisfaction and Awareness about Islamic banking:

The results of our study about the customers 'satisfaction and awareness about of the products of Islamic banks are shown in Table 6:

Table 4.6: Customer Awareness about Islamic Banking Product and its service

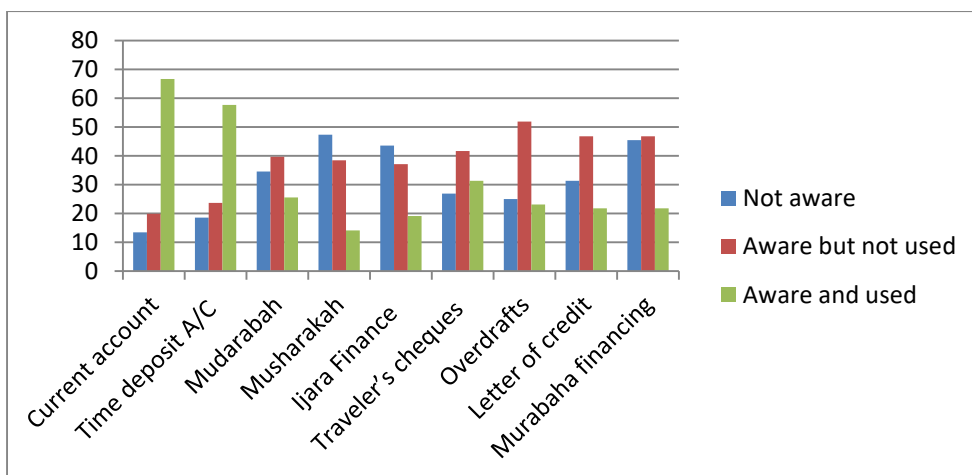
	Not Aware		Aware but not Used		Aware and Used	
	F	%	F	%	F	%
Current Account	21	13.5	31	19.9	104	66.7
Time Deposit A/C	29	18.6	37	23.7	90	57.7
Mudarabah	54	34.6	62	39.7	40	25.6
Musharakah	74	47.4	60	38.5	22	14.1
Ijara Finance	68	43.6	58	37.2	30	19.2
Traveler's cheques	4	26.9	65	41.7	49	31.4
Overdrafts	39	25	81	51.9	36	23.1
Letter of credit	49	31.4	73	46.8	34	21.8
Murabaha financing	71	45.5	73	46.8	34	21.8

Source: Data calculated by authors.

From the above table .6, it shows that more than half of the respondents 78 (66.7%) aware and used the current account, 70 (57.7%) of the respondents aware and availed the time deposit A/C. 88 (25.6%) of the respondents aware and were availing Mudarabah facilities from Islamic banks. 30 (19.2%) respondents aware and used

Ijara financing. 40 (31.4%) of the respondents aware and used the traveler’s cheques. Some of the respondents are aware and used overdrafts. 34 (22%) of the respondents were aware about letter of credit and Murabaha financing

Figure: 5: Customer Awareness towards Islamic banking products and services



The above graph shows the respondents dealing with Islamic Banking System and their products or services in Pakistan. The Figure shows 20 percent to 65 percent of the customers were aware and using different facilities of Islamic banks. Only 10 percent to 35 percent customers were not fully aware of the products and services of Islamic banks. Some customers are aware of Islamic banking services but are not using them properly.

4.7. Customer satisfaction about Islamic banking system

The results are shown in Table 7;

Table 7: Customers satisfaction about Islamic banking services

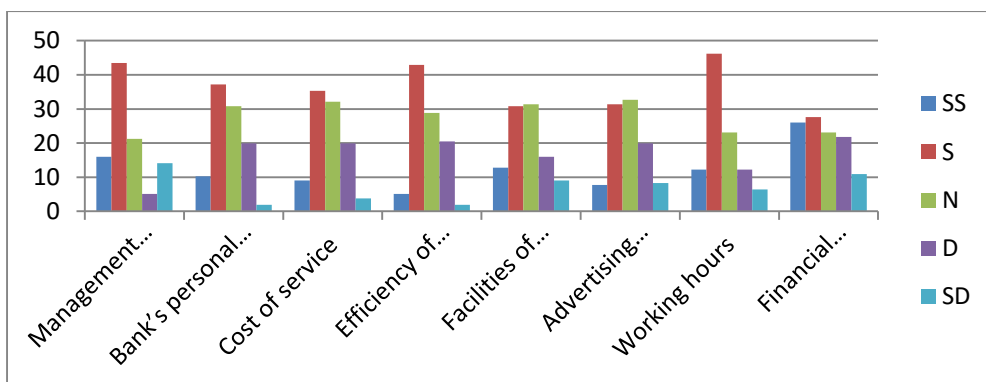
No	Variables	Strongly satisfied		Satisfied		Neutral		Dissatisfied		Strongly dissatisfied	
		F	%	F	%	F	%	F	%	F	%
1	Management Proficiency	25	16	68	43.5	33	21	85	5.1	22	14.1
2	Bank's personal knowledge	16	10.3	58	37.2	48	30.8	31	19.9	3	1.9
3	Cost of service	14	9	53	35.3	50	32.7	31	19.9	6	3.8
4	Efficiency of transactions	87	5.1	67	42.9	45	28.8	32	20.5	3	1.9
5	Facilities of parking	20	12.8	48	30.8	49	31.4	25	16	14	9
6	Advertising campaign	12	7.7	49	31.4	51	32.7	31	19.9	13	8.3
7	Working hours	19	12.2	72	46	33	23	19	12.2	10	6.4
8	Financial counseling	26	16.7	43	27.5	36	23.4	34	21.8	17	10.9

Source: Data collected by authors

From the above table 7, it shows that respondents 43.5% respondents were satisfied with management proficiency, 37.2 with satisfied with bank's personal knowledge. 35.3% were satisfied with cost of service. (42.9%) respondents were satisfied with efficiency of transaction. 30.8% respondents were satisfied with facilities of parking. 31.4% were satisfied with advertising campaign. Some of the respondents were also

satisfied with working hours and their ratio is 46.2%, which is highest. 27.6% of the respondents were satisfied about financing counseling. Only short levels of respondents are not agreed with both Islamic banking systems. The results are shown in Figure 6.

Figure 6: Customer satisfaction towards Islamic banking system



5. CONCLUSIONS

The objectives of the study were to examine the awareness and satisfaction of the customers of Islamic banks about their products and services. For this purpose, a questionnaire was developed and number of 200 customers of Islamic Banks were randomly selected. The questionnaires were distributed among selected respondents, out of 200, correct response of 150 were received and they were included into this analysis. 5-Points Likert scale was used to measure the attitude of respondents about their awareness and satisfaction. Our study concludes that most of the respondents were aware of the products of Islamic banks and also satisfied with their services. Some customers view that Islamic banks should expand range of their products and use latest technology to compete with conventional banks. Some of them argue that both type of Islamic and conventional banking services should allow to exist to provide banking services to variety of customers. Some customers could not

understand the real meaning of Arabic terminology of Islamic products. However, there are lot of potential in Pakistani society for the growth of Islamic banking.

6' POLICY RECOMMENDATIONS:

We would like to make the following recommendations:

1. Islamic banks must establish their branches in rural areas to attract religious mind of customers.
2. Islamic banks must hire the staff who are well acquainted with Arabic terms of Islamic banks and can easily convey their meaning to common or low literate customers.
3. Islamic banks should expand the range of their products in order to meet growing need of customers.
4. Islamic banks should use latest banking technology to reduce cost and provide prompt services to customers.

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CONTRIBUTION OF AUTHORS AND CONFLICT OF INTEREST

This research work was carried out in collaboration between two authors.

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Both authors read the manuscript carefully and declared no conflict
