

FACTORS DETERMINING CUSTOMERS' ATTITUDE AND PERCEPTION TOWARDS ISLAMIC BANKING PRACTICES IN MALAKAND DIVISION

Adnan Khan, Department of Commerce and Management Sciences, University of Malakand, KP, Pakistan. Email: adnan.ilink@gmail.com

Nazim Ali, Department of Commerce and Management Sciences, University of Malakand, KP, Pakistan. Email: nazimali100@yahoo.com

Arshad Ali, Department of Commerce and Management Sciences, University of Malakand, KP, Pakistan. Email: arshaduom@gmail.com

Dr. Zahid Ali, Department of Commerce and Management Sciences, University of Malakand, KP, Pakistan. Email: zahidzady@yahoo.com

Abstract. *The higher rate of growth of Islamic banking has proved it as the best alternative to interest (Riba)*

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based banking. In the success of this banking system depends on the perception and attitude of customers. There are factors that determine the development of this perception. Past studies have focused on these factors in various areas. This study is aimed at examining those factors in Malakand division. Data has been collected from 300 respondents through a questionnaire from three districts—Dir, Malakand and Swat. Questionnaire is adapted from previous studies. Data has been analyzed through correlation and regression. Results of the study show that all five variables have significant positive relationship with customers' attitude. However, awareness and Shariah compliance show a negative relationship with perceptions of customers. Furthermore, religiosity is the most dominant determinant of the customers' attitude and perception, followed by bank image and reputation and social influence. Customers give lesser importance to Shariah compliance and awareness as determinant of their attitude and perception towards Islamic banking practices. The results have both theoretical as well as practical implications. The study is also beneficial to the society at large, as more and easy investment and financing facilities would be available to them.

Keywords: Riba (interest), musharika, mudariba, Islamic banking, religiosity, shariah

Introduction

Islamic financial system being an important component of the world economy, paved its way to established financial institutions since its emergence (Lee & Ullah, 2007). Islamic financial industry has shown a rapid growth and emerged as a major contributor the world economy. Reuters reported 11% year-to-year growth in global finance industry based on the data collected from 56 countries with 6% CAGR (Compound Annual Growth Rate) from 2012 to 2018. Furthermore, it is projected that the total worth would be 3.8 Trillion USD with average annual growth of 10% by 2023 (Reuters, 2018). It has also been reported that possessing a strong position in the era of financial crises, Islamic financial system had got more acceptance, in Muslim and Non-Muslim countries (Yeates, 2008).

At present, most of the countries have dual banking environment. It is creating more and more opportunities for bankers to fulfill the needs of diverse customers and boost their profits. While, on the other hand, it is providing more options to customers to opt. Furthermore, resemblance in their products; intensify the completion. Only minor difference in their products and services exists is, the cost charges or benefits offer by them. Likewise, in Pakistan, IB industry is in introduction stage and faces intense competition from its conventional rivals (Awan & Azhar, 2014). Besides 16% ear-to-year growth by assets, 171% growth by deposits and 11.3% by number of branches, IB has some difficulties to compete with conventional banking in Pakistan (SBP, 2017).

Various studies attempted to identify the factors affecting the attitude and perceptions towards Islamic banking. However, literature provides contradictory findings regarding the determinants. Some of the authors were of the view that religious beliefs are the strong determinant of attitude towards Islamic banking. The other researcher argued other factors like social influence, image and reputation, confidence on Shariah compliance, profitability, convenience etc. to be the prominent factors (Erol & El-Bdour, 1989; Haron, Ahmad, & Planisek, 1994; Rammal & Zurbruegg, 2007; Loo, 2010).

Like in other parts of the world, a few studies conducted to find the factors affecting attitude and perception of customers towards Islamic banking. The results also provided mixed findings, and this, calling for further assessment. Therefore, this study is an attempt to the impact of Awareness, Degree of Religiosity, Shariah Compliance, Social Influence and Bank Image & Reputation on Attitude and Perception in Malakand Division, Khyber Pakhtunkhwa, Pakistan. Survey method was adopted for this study. A sample of about 300 IB customers were chosen for data collection. Correlation and

Regression were used to determine the relationship and impact of independent variables on Attitude and Perceptions.

The results of the study are expected to be useful for the bank management. The findings of the study would help them to know about the critical factors shaping the attitude and perception of their customers. Knowing the factors would enable them to compete effectively. Secondly, it would be useful to the policy makers in formulation of effective policies and recommendations. Due to more focus of the bank and policy makers, the banks would offer more beneficial products and services to capture more market share, more investment and employment opportunities will be available to the local community. Thus, this study would be helpful to minimize social evils of unemployment and unequal distribution of wealth.

Research Hypotheses

- H1.** Awareness of IB terminologies significantly determines the attitude of customers towards IB practices.
- H2.** Awareness of IB terminologies significantly determines the perception of customers towards IB practices.
- H3.** Religious beliefs are the primary driven force for preference of IB. Stronger the religious commitment, the more positive attitude towards IB practices.
- H4.** Religious beliefs are the primary driven force for preference of IB. Stronger the religious commitment, the more positive perception towards IB practices.
- H5.** Social influence significantly determines the attitude of customers towards IB practices.
- H6.** Social influence significantly determines the perception of customers towards IB practices.
- H7.** Religious Compliance has significant effect on customer's attitude towards IB practices.
- H8.** Religious Compliance has significant effect on customer's perception towards IB practices.
- H9.** Bank image and reputation is significantly correlated to the attitude of customers towards IB practices.
- H10.** Bank image and reputation is significantly correlated to the perception of customers towards IB practices.

Literature Review

Level of knowledge about functions, costs and benefits of various products and services offered by banks referred to the Degree of Awareness. Various authors determined the relationship among degree of awareness, attitude and perception of IB customers. The present study also aimed to examine the relationship of degree awareness about IB terminologies with the customer's attitude and perceptions towards IB practices.

Erol and El-Bdour (1989) conducted a study of the IB customers. The results of the study reported that customers have a high level of awareness about the advantages of Islamic banks profit and loss sharing (PLS), investments and their role in income distribution. Profit was more preferred criteria in bank selection than religiosity. Peer group referral played an important role to opt for bank (Erol & El-Bdour, 1989).

Another study assessed the level of awareness and satisfaction in Jordan and reported that the customers were more aware of the products offered by Islamic banks. However, jargon used by those banks, was difficult for the customers to decode. Alongside, significant amount of awareness, lower products usage was reported (Naser, Jamal, & Al-Khatib, 1999).

Astonishingly different results were demonstrated by a study carried to gauge the degree of knowledge regarding products and services offered by Kuwait finance house (KFH) and degree of customers' satisfaction. It was established that majority of them were not aware of the products. However, a considerable number of customers revealed that they were aware and use the Ijara. It was reported that standard of living has a strong impact on the awareness regarding products of IB (Naser, Al Salem, & Nuseibeh, 2013).

Besides other parts of the world, a few attempts were made to determine the relationship among the degree of knowledge, perception and attitude of customers in Pakistan. A. Ahmad & Bashir (2014) investigated the level of customer's awareness (CAL) and Customers Service utilization (CSU) about IB products in Pakistan. Results indicated a positive relationship between CAL and CSU with lower level of awareness among the IB customers (Ahmad & Bashir, 2014). The relationship between knowledge and practice of IB with attitude as moderating variable was examined in Peshawar. Knowledge, Attitude and Practice (KAP) survey was used to get the objective of the study. The research determined a significant relationship between knowledge and practices (Mehtab, Zaheer, & Ali, 2015).

It is obvious from the above literature that the level of awareness differs in places and products offered by the Islamic banks. Therefore, it is necessary to identify the factors determine the level and the degree of awareness of our sample. Having said that, the current study the following hypotheses have been drawn to be tested:

H1. Awareness of IB terminologies significantly determines the attitude of customers towards IB practices.

H2. Awareness of IB terminologies significantly determines the perception of customers towards IB practices.

The terms religion or religiosity are used interchangeably in literature. The degree of belief on Allah and the degree of compliance in practice to the beliefs and principles set is termed as religiosity (Kamaruddin, 2007). Research revealed Religiosity as the most significant predictor to understand customer's intention to choose Shariah compliant products (Mukhtar & Butt, 2012).

Sood and Nasu (1995) examined the relationship between religiosity and nationality in Japan. It was reported in his study that more religiously committed people were attitudinally able to take religious consistent decisions. Investment benefits and fulfillment of religious obligation are making IB as an obvious choice. Islamic banks must appeal their customers to opt for IB to get dual benefits (Amin, Isa, & Fontaine, 2013). Another study on the impact of religiosity on the attitude of customers towards IB was conducted in Tunisia. A positive relationship between attitude and religiosity was reported. Further, no direct relationship was reported between religiosity and purchase intention. However, relationship between attitude and purchase intention was reported (Souiden & Rani, 2015).

Another study in Bangladesh, determined the relationship among religiosity, customers' attitude and buying intentions of different Islamic financial products (IFP). Based on the Theory of Reasoned Action (TRA) a model was developed. It was reported that religiosity had a positive relationship with attitude and attitude had a positive relationship with behavior. Furthermore, a positive impact of attitude on the behavior, and a partial mediating role in relationship between religiosity and behavior was reported (Newaz, Fam, & Sharma, 2016).

Like in the other parts of the world, efforts are made to discover the impact of religiosity in consumer behavior studies within Pakistan. A study examining the factors effecting the perceptions of IB customer's in Pakistan. A significant impact of awareness about IB terminologies, Religion, advertising, networking, and awareness about IB products was found. However, Image showed an insignificant impact on the perceptions of customers (Akhtar, Mehmood, Pervez, Aslam, & Akhtar, 2016). Another study endeavored to determine the factors affecting attitude of IB customers in Peshawar. It was found that cost effectiveness, intention to use and services facilitation were more significantly affecting attitude of customers then the other variables (Asif, Shah, Afeef, & Ahmed, 2016).

Based on the above mentioned literature that study of religion is important in customer's attitude and perceptions. Keeping in view the phenomenon; in this study the impact of religiosity on the attitude and perception of customers is determined. Having said that, the following hypotheses have been drawn to be tested in this study

H3. Religious beliefs are the primary driven force for preference of IB. Stronger the religious commitment, the more positive attitude towards IB practices.

H4. Religious beliefs are the primary driven force for preference of IB. Stronger the religious commitment, the more positive perception towards IB practices.

It is the inherited quality of human being to influence others and being influenced by others. A change in cognition, attitude and behavior of a person, which has its origin in another person or group is termed as social influence (Raven, 1964). Keeping in view the important role of social influence in shaping the attitude and perceptions of the customers, various research endeavored to identify such relationship. In given paragraphs the literature on social influence is discussed.

A study investigated the adaptation of IB in Tunisia. Religious commitment, banking habits, life style, social influence, awareness, and relative advantage were used to determine the predictors. It was reported that religious commitment, relative advantage, banking habits and life style were the key predictors of IB adaptation. Social influence and awareness were insignificant predictors of the adaptation (Obeid & Kaabachi, 2016).

A research examined the factors influencing customer's attitude in Peshawar. The study focused on the awareness, service quality, social influence, religious beliefs, cost effectiveness and availability of products. Results revealed that all of the mentioned variables had a positive relationship and impact on the attitude of customers. However, religious beliefs and service quality were given highest preference by customers (Shahzad, 2012).

Social influence as an important predictor of customer's attitude and perception was evident from the above mentioned literature. Keeping in view, in this study attempt was made to determine the impact of social influence on attitude and perceptions of Islamic bank customers. Having said this, the following hypotheses were made for this study:

H5. Social influence significantly determines the attitude of customers towards IB practices.

H6. Social influence significantly determines the perception of customers towards IB practices.

Shariah compliance refers to the extent to which the offering (Products/services) are in accordance with the guiding principles of Islam. Perceptions regarding Shariah compliance of the products are well-defined by different authors. Saqib, Farooq, and Zafar (2016) termed the level of acceptability of the products and services offered that are in accordance with the Shariah principles, based on the knowledge about Islamic laws and products as Shariah compliance perceptions. Perception regarding Shariah compliance is the general understanding of the customers regarding the affairs of the IB operations. Since, establishment, confusion exists among customers regarding the Shariah complained of the products of Islamic banks. In order to dig the issue various scholars attempted to determine the level of Shariah compliance perceptions and their impact on attitude and perceptions off customs. Details of such studies are given below.

A study conducted in Pakistan to determine the level of consumer trust of Shariah compliance of Islamic banks. It was reported that customers were not fully confident on the Shariah compliance of the Islamic banking. However, they had a positive attitude towards Islamic banking. The main source of trust was the reply of the bank officials regarding Shariah compliance of the products (Ashraf, Robson, & Sekhon, 2015). Lee and Ullah (2011) conducted a study to determine the customer's attitude towards IB in Pakistan. Shariah compliance was primarily focused in the study.

The role of religious beliefs in shaping the attitude and behavior of the customers towards conventional and Islamic insurance was examined in Tunisia. It was found that a positive relationship between beliefs and attitude towards Islamic insurance exist. However, a negative relationship between religious beliefs and customers attitude towards conventional insurance was seen (Souiden & Jabeur, 2015). Similarly, the impact of religious beliefs and individual religiosity on the attitude towards IB in Tunisia was examined. Religiosity was introduces as tridimensional concept with religious beliefs, religious involvement and fear of divine punishment. The results of the research reported that religiosity had a significant impact on the attitude of customers'. Furthermore, it was added that religious beliefs had most important impact on attitude, followed by fear of punishment is second in importance (Souiden & Rani, 2015).

Beside studies on the determinants of attitude and perceptions of users, some studies, undertaken to find determinants of attitude towards Islamic finance among non-users. A strong impact of religiosity on the attitude was reported, followed by adherence to Islamic principles, was mandatory for non-users of Islamic financing. Moreover, it was suggested that Islamic financial

institutions shall increase awareness regarding their offerings among their customers (Jaffar & Musa, 2016).

Shariah compliance was given prime importance by the customers before, opting for IB products. The importance and role of Shariah compliance is obvious from the above literature. Therefore, for this study the following hypotheses have been drawn:

H7. Religious Compliance has significant effect on customer's attitude towards IB practices.

H8. Religious Compliance has significant effect on customer's perception towards IB practices.

A study examined that adaptation of IB in Pakistan. Variables of Religion, awareness, advertisement, networking and bank image and reputation were taken for investigations. A strong association among religion, networking, advertisement, image & reputation and Islamic bank adaptation were found. However, association between awareness regarding IB products and IB adaptation was insignificant (Tara, Irshad, Khan, Yamin, & Rizwan, 2014). Akhtar et al. (2016) conducted a study on the factors affecting the perceptions of IB customers in Pakistan. It was concluded that reputation created a significant impact on the perceptions of customers. The trust and confidence of the people increased, when, organization met the needs of customers as per their desires. As a result reputation of the organization increases.

Keeping in view the importance and impact of bank image and reputation on attitude and perception of customers towards IB practices; the following hypotheses have been drawn for testing in this study.

H9. Bank image and reputation significantly correlated to the attitude of customers towards IB practices.

H10. Bank image and reputation significantly correlated to the perception of customers towards IB practices.

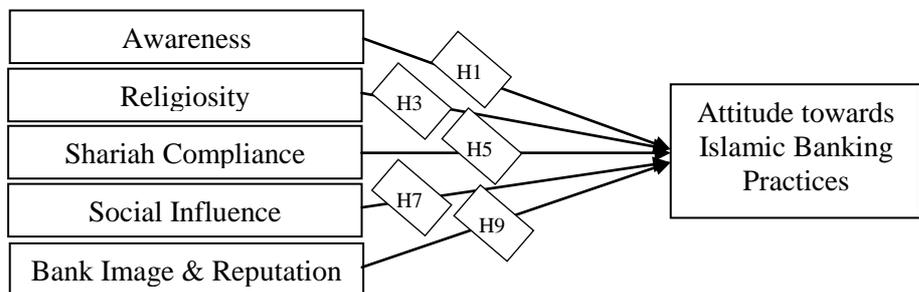


Figure 1. Conceptual Framework-Attitude

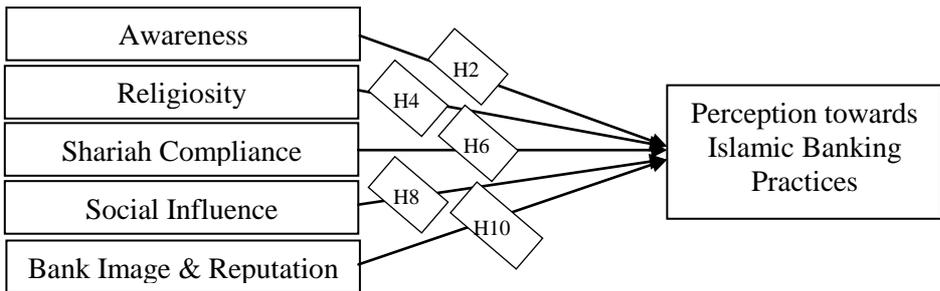


Figure 2. Conceptual Framework-Perception

Methodology

Population

The study aims to investigate the factors determining customers' attitudes and perceptions towards IB Practices. The population of the study comprises of the existing customers of Islamic banks operating in the study region. All the customers who have banking relationship with Islamic banks are either depositors or have some financing purpose are included in the population.

Sample Size

Rowley (2014) suggest that a sample of 400 is optimal for the quantitative research. Total of 300 individual customers of the IB branches situated in the selected districts is randomly selected through multistage probability sampling technique. Furthermore, the total was proportionally divided in to the three districts on the basis of number of IB branched. Sample of the study consists of 120 customers from district swat and 90 from Dir lower and Malakand. In two district of Dir lower and Malakand 13 branches are operating in each district, while, 28 branches are operating in Swat district (IBB 2018).

Data Collection Procedure

Survey method is used for collection of the data. A self-administered questionnaire adapted from the previous studies in the areas was used for data collection. Three districts of the Malakand Division namely Malakand, Dir (lower) and Swat are selected for the research. Initially a list of the full-fledged IB branches operating in the selected districts of is obtained from the State bank of Pakistan quarterly newsletter. As per SBP record 13 branches of Islamic banks are operating in each district of Dir Lower and Malakand, while 28 branches are operating in Swat (IBB 2018). Personal visits to the concerned branches are arranged and collected a list of their customers. After obtaining

the list, personal visits are made to the customers and their responses are recorded on the questionnaire. A total of 300 customers are contacted in the study region.

Research Instrument

The aim of the study is to find the factors determining customers' attitudes and perceptions towards IB in Malakand division. Time tested, reliable and validated questionnaire are used for the study. Questionnaire is based on 5-point Likert scale, presented as the most optimal option by the studies (Boone & Boone, 2012). Questionnaire is divided into two sections. Questions regarding demographic information of the respondents are asked in first section. While, in second section questions related to variables of the study are asked. Customers' attitudes and perceptions towards IB practices, religiosity, perception regarding Shariah compliance of the products, degree of awareness, and bank image and reputation are the main variables of the study.

Data Analysis

Data was collected through questionnaires, followed by data preparation statistical analysis techniques: Descriptive statistics, Correlation, and Regression are used for analysis.

Results

Demographic Analysis

Age, Gender, Qualification, Income, Location and Time period with bank were the demographic variables of the study. Percentage and frequency was used to describe the demographic profiles of the sample. Results shows that customers base of the Islamic banks comprised of young people. As reflected in table, almost half (49.8%, 145 N) are within age group of 20-35 years, followed by age group of 36-50 years. in terms of education, results reveal that more educated people opted for Islamic banking. The representation of three districts of Malakand Division selected on the basis of stratified random sampling, are Dir (L) (27.5%, 80 N), Malakand (31.6%, 92 N) and Swat (40.9%, 119 N). Besides, results reveals that the people with lower average monthly income keeps their accounts and banking relations with Islamic banks. Reflected in table below, 44.3% of the respondents opted for the average monthly income group of 20,000 to 39,999, followed 22.7% falls in average monthly income group of 40,000-59,999 and 21% within group of below 20,000. IB is an emerging field, majority of the customers are new to the system. Results shows that (42.6%, 124 N) of customers chose time period of 2-5 years, followed by (36%, 107 N) with time of less than 2 years.

Table 1 *Demographic Analysis (N=291)*

Variables	Frequency	Percentage (Approx.)
Age in Years		
Below 20	9	3.1
20-35	145	49.8
36-50	107	36.8
50 Plus	30	10.3
Education Level		
Under Matric	34	11.7
Matric	50	17.2
Intermediate	77	26.5
Bachelor	130	44.7
GENDER		
Male	284	97.6
Female	7	2.4
District		
Dir (Lower)	80	27.5
Malakand	92	31.6
Swat	119	40.9
Average Monthly Income		
Below 20,000	61	21.0
20000-39999	129	44.3
40000-59999	66	22.7
60000-79999	21	7.2
80000 Plus	14	4.8
Time Period with Bank		
Below 2 Years	107	36.8
02-05 Years	124	42.6
06-10 Years	46	15.8
Above 10 Years	14	4.8

4.2 Reliability

Cronbach's Alpha is used to determine the internal reliability of the scale items. For early stages of research, an alpha value (α) of more than 60% (0.60) is considered acceptable (Alam, Janor, Zanariah, & Ahsan, 2012). Table 2 below shows alpha values of the variables. Results reveals that alpha values of the variables is ranging from .882 to .895, indicates that the data is appropriate for further analysis.

Table 1 *Reliability Statistics*

Variables	Number of Items	Cronbach's Alpha (α)
Customer's Attitude	06	.822
Customer's Perceptions	08	.857
Degree of Religiosity	09	.892
Perceptions regarding Shariah Compliance of Products	06	.834
Degree of Customers Awareness	09	.844
Social Influence	04	.842
Image and Reputation	06	.895

4.3 Pearson's Correlation

Initially, the correlation between Attitude, Religiosity, Shariah Compliance, Awareness, Social Influence and Bank Image& Reputation is calculated. Afterward, the relation between customers' Perception towards IB Practices and Religiosity, Shariah Compliance, Awareness, Social Influence and Bank Image& Reputation is calculated. The results obtained from the tests are shown below in table 3.

Table 2 *Pearson's Correlation (N= 291)*

	1	2	3	4	5	6	7
1 Pearson Correlation	1	.49**	.51**	.12*	.16**	.27**	.73**
2 Pearson Correlation	.49**	1	.77**	-.02	.10	.28**	.47**

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

*. Correlation is significant at the 0.05 level (2-tailed).

Note: 1. Attitude, 2. Perceptions 3. Religiosity 4. Shariah Compliance 5. Awareness 6. Social Influence 7. Image and Reputation

The results of Person's Correlation among Attitude, Religiosity, Shariah Compliance, Awareness, Social Influence and Bank Image& Reputation have been shown in table 3. Results reveals that a significant positive relationship between the customers' attitude towards IB practice and degree of customers' Religiosity ($r=0.508$, $p<.000$), customers' attitude towards IB practice and Shariah Compliance ($r=0.115$, $p<.050$), between the customers' attitude towards IB practice and Degree of Awareness ($r=0.159$, $p<.007$), between the customers' attitude towards IB practice and Social Influence ($r=0.271$, $p<.000$), between the customers' attitude towards IB practice and Bank Image & Reputation ($r=0.730$, $p<.000$) exists. In the light of the above results H1, stated that a significant relationship exists between awareness and attitude, H3, stated a positive relationship between religiosity and attitude, H5, stated a positive

relationship between social influence and attitude, H7, stated a significant relationship between religious compliance and attitude and H9, stated a strong positive relationship between bank image & reputation and attitude, are accepted.

Furthermore, the results of Person's Correlation among customers' Perception towards IB practices, Religiosity, Shariah Compliance, Awareness, Social Influence and Bank Image & Reputation reflected in table 3 above. Results shows a significant positive association between the customers' Perception towards IB practice and degree of customer's Religiosity ($r=0.765$, $p<.000$), customers' Perception towards IB practice and Social Influence ($r=0.282$, $p<.000$), customers' Perception towards IB practice and Bank Image & Reputation ($r=0.470$, $p<.000$). in the light of the above mentioned results, H4 stated that a significant relationship exist between religiosity and perception, H6, stated a positive relationship between social influence and perception and H10 stated a significant relationship between bank image & reputation and perception of customers towards IB practices, are accepted.

However, results present a negative correlation between the customers' Perception towards IB practice and Shariah Compliance ($r=0.-0.22$, $p<.709$) and customers' Perception towards IB practice and Degree of Awareness($r=0.099$, $p<.090$). So, H2, stated that awareness has a positive relationship with perception,, and H8 stated that Religious Compliance has significant effect on customer's perception towards IB practices are rejected.

4.4 Regression Analysis

Multiple regression is used to determine the impact of all independent variables which are Degree of Religiosity, Shariah Compliance, Degree of Customers Awareness, Social Influence, Bank Image and Reputation on dependent variable i.e. attitude towards IB practices.

Table 4 *Regression Analysis*

	Beta	T-Value	Sig.
Constant		.140	.888
Degree of Religiosity	.159	3.369	.001
Shariah Compliance	.033	.837	.403
Degree of Customers Awareness	-.002	-.050	.961
Social Influence	.056	1.335	.183
Bank Image and Reputation	.627	13.100	.000

Dependent Variable: Customer's Attitude towards IB Practices

($R=.746$), ($R\text{ Square}=.557$) ($\text{Adjusted } R\text{ Square} =.549$) ($\text{Standard Error of the Estimate} =.64877$) ($F =.000$)

In table 4 above, R Square value is .557 that shows 55.7% variance in attitude towards IB practices can be accounted for by Degree of Religiosity, Shariah Compliance, Degree of Customers Awareness, Social Influence, Bank Image and Reputation. Bank image and reputation is found to be a strong predictor of attitude towards IB practices followed by degree of religiosity. The Shariah compliance, degree of customers' awareness and social influence do not show any significant relationship with attitude towards IB practices.

Table 5 *Multiple Regression*

	Beta	T-Value	Sig.
Constant		4.49	.000
Degree of Religiosity	.705	15.73	.000
Shariah Compliance	-.071	-1.88	.061
Degree of Customers Awareness	-.022	-.580	.563
Social Influence	.060	1.52	.130
Bank Image and Reputation	.095	2.08	.038

Dependent Variable: Customer's Perceptions towards IB Practices

Independent Variables: Degree of Religiosity, Shariah Compliance, Degree of Customers Awareness, Social Influence, Bank Image and Reputation

($R=.775$), ($R\text{ Square}=.6000$) ($\text{Adjusted } R\text{ Square} =.593$) ($\text{Standard Error of the Estimate} =.46630$) ($F =.000$)

In order to analyze the impact of the impact of all independent variables of the study i.e. Degree of Religiosity, Shariah Compliance, Degree of Customers Awareness, Social Influence, Bank Image and Reputation on perception towards IB practices multiple regression is run.

Results in table 5 above, shows R Square value of .775 that shows 77.5% variance in perception towards IB practices is caused by Degree of Religiosity, Shariah Compliance, Degree of Customers Awareness, Social Influence, Bank Image and Reputation. Degree of religiosity is found to be a strong predictor of perception towards IB practices followed by Bank Image and Reputation. The Shariah compliance, degree of customers' awareness and social influence do not show any significant relationship with perception towards IB practices.

Conclusion

The study examines the factors determining customers' attitude and perception towards IB practices in Malakand division. Five key factors of Awareness, religiosity, Shariah compliance, social influence and bank image & reputation

are used, to assess the impact of these variables on customers' attitude and perception of Islamic banking.

The research philosophy of the study is positivism. Deductive approach with survey method was used for data collection. The research was quantitative in nature. All customers of IB in Malakand division were the target population of the study. Three districts of Malakand, Swat and Dir Lower of Malakand division were selected through stratified random sampling technique for data collection. The number of customers in the sample from the selected strata were chosen on the basis of number of bank branched in the area. A total of 300 customers were selected as sample size. Data was collected through self-administered questionnaire. Questionnaire was adapted from the previous studies. A total of 291 usable questionnaires were received for analyses the data. Inferential statistics were used to determine the relationship.

Results revealed that religiosity and bank image & reputation are the most important determinants of attitude and perceptions with highest value of R. Regression analysis confirmed the similar relationship, and highest impact of these to variables on the attitude and perception was reported.

However, it was seen that all five factors discussed above had shown a positive relationship and significant impact on attitude, while, awareness and Shariah compliance had shown negative relationship and insignificant impact on perceptions. Literature reported a limited level of understanding about technical terms used by Islamic banking, and variations in customers' perceptions regarding Shariah compliance of the IB products. However, social influence was third in degree affecting attitude and perception of customers' towards IB practices.

Research Implications

The present study has many contributions to the literature, management, policy makers and community. In the given line important contributions are described.

1. Contribution to Literature

Previous studies attempted to cover one or another aspect of the customers' attitude and perceptions towards IB practices. Customers. Some studies cover the impact of awareness on attitude and perceptions (Khattak, 2010; Naser et al., 2013; Ahmad & Bashir, 2014; Buchari, Rafiki, & Al Qassab, 2015). Others considered religiosity and their relationship with attitude and perceptions (Mansour & Diab, 2013; Newaz et al., 2016). The impact of social influence and Shariah compliance has been analyzed by (Shahzad, 2012; Saqib et al., 2016). While, bank image and reputation is discussed by (Abdullah & Dusuki,

2006; Akhtar et al., 2016). The present study contributed to the literature by considering all of the above mentioned variables in a single study.

Furthermore, all previous attempts were made to determine the factors affecting attitude and perception towards IB in the urban areas of the country. Majority of population living in rural areas of the country. Therefore, the results of this study contributes to the literature on knowing the factors important to rural population of the country.

2. Implications for Managers & Policy Makers

The findings of this study will help the managers and policy makers to redesign their strategies to address the issues of the lower level of awareness, though, customers' educating programs and awareness sessions. Further, knowing the important predictors of attitude and perceptions i.e. Religiosity and bank image & reputation followed by social influence, Bankers shall give more focus on good customers relationship and element of religiosity to attract more and more customers.

3. Implications for the Community

Knowing the strong predictors and shortcomings of the banks, managers and policy makers, will struggle to get more and more advantage form their strengths and overcome their weakness. As recommended in point 2, awareness sessions shall be organized to get the customers educated. It will have a positive implication on the society by allowing them to get maximum advantage form the facilities of Islamic banking. With the growth of IB more and more job and business opportunities will be available. Thus, the unemployment and evils of the society will be eliminated.

Future Research Directions

For future studies, it is suggested that study may be conducted separately on each category so that difference between the categories could give new insight into the issue. Furthermore, such studies can be conducted with more diverse population from different regions. Gender ratio was not appropriate, it is therefore, recommended for the future researchers to include the opinion of the female customers to get more realistic results. And lastly, This study focused on customers of Islamic banks only. It is recommended for future study to examine the factors determining customers' attitude and perception towards commercial banks and compared with Islamic banking in future.

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