

Determinants of growth of Islamic Retail Bank in Pakistan

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ABSTRACT

Purpose: to explore the determinants of growth of Islamic retail banking in Pakistan, and is tested in Pakistan.

Design/methodology/approach: The quantitative methodology is adopted for completion of this paper, through three-fold approach. In first method, growth of Islamic banks is compared with conventional banks through financial statements key statistics for a period of recent three (3) years; in second method an instrument is used through customers of Islamic retail banks and their perspective is assessed; and in third methodology, another instrument is used through bankers of Islamic retail banks.

Findings: Our findings include good bank spread, customers' perspective of good returns on deposits and better services, part from religious cause of trend for Islamic retail bank; banks' perspective of better Islamic alternate to retail banking needs.

Research limitations/implications: Study is conducted in Pakistan only. It may expand by including more variables into research.

Practical implications: Practical implication of this paper may relate to the policy makers in Islamic banks for development of products as per customer needs and demands.

Originality/value: To devise better policy related to growth and expansion of Islamic banking in emerging economy.

Keywords: Islamic banks, Retail banks, Bank spread

Article Classification: Research paper

Introduction

Islamic banking is the stream of banking based on principles laid down by *Shariah* guidelines. This stream of banking was emerged in 1950 in Pakistan through establishment of a cooperative bank in a village of Pakistan, later by similar institution in Egypt in 1963. Both of these institutions were following Islamic shariah principles but were not performing full-banking services. Islamic banking got enormous support through excessive earnings of petro-dollars since 1970s. Islamic principles claim to avoid interest (usury or *riba*) in all financial dealings, since it is termed as holy war against Allah. Establishment of Dubai Islamic Bank in 1974 opened new horizon for the emerging economies in Islamic world, and Islamic revolutions around the globe turned the financial world towards Islamic banking. Various countries like Iran, Saudi Arabia and Syria adopted Islamic banking as sole financial system in economy and is resulted in huge research in this stream, whereas various countries like Bahrain, Egypt, GCC, Indonesia, Malaysia, Pakistan, Qatar, etc. adopted as parallel paradigm shift of economy from interest-based to Islamic economic system. This struggle led Bahrain and Malaysia to the major hub of Islamic finance in the world with most innovative products in Islamic finance (Bhatti & Khan, 2008)

Research Aims: Growing stream of Islamic finance under parallel banking system (which is also termed as dual or binary banking system) is hot of discussion these days. General concept is acceptance of Islamic finance globally even in countries where Muslims are in minority like Australia, Canada, India, Germany, UK and USA. This research is being conducted to observe:

- major determinants of growth of Islamic banking
- challenges faced by Islamic banking system under binary banking system
- preference of Islamic bank over conventional
- selection criteria of Islamic bank among cluster of Islamic banks

This research is conducted in aspect of Pakistan.

Rationale: Though, comparative analysis of conventional and Islamic banking has been conducted by various researchers over years but this particular research is unique due to its multi-dimensional methodology. This research has been completed under three-fold dynamics including financial analysis and double survey from customers as well as bankers.

Later parts of the paper include (2) literature analysis, (3) methodology, (4) data analysis and findings, (5) Conclusion, (6) practical implications, (7) recommendations and future assumptions.

Literature Review

Islamic banking industry in Pakistan is heading to 12 percent share of banking industry by 2012, with more than 1,200 branches of worth Rs.1 trillion (SBP Annual report, 2008). A study by (Gerrard & Cunningham, Islamic banking: a study in Singapore, 1997) and (Ellahi, Khattak, Khashif-Ur-Rehman, & Jamil, 2010) in Singapore and Pakistan respectively revealed some factors other than religious motive related to progression of Islamic banking like knowledge of Islamic banking by customers and Islamic bankers. (Agrawal, Kapur, & McHale, 2011) analyzed for last five years and found that Islamic banking grew at the rate of 26.7 percent comparatively 19.3 percent of mainstream. Islamic banking progression is highly dependant of more public awareness and vast branch network (Butt, Altaf, Jaffer, & Mahmood, 2011).

Non-banking institutes (NBIs) including retail consumer players entered into financial market competing formal banking institutions. Some of such players include Marks & Spencer (clothing and food retailers) since 1980, Tesco and Sainsbury's (supermarket chains), Virgin and easy group (retailing, mobile telephony, hotel, etc.) since mid-1990s, are providing retail financial services. Some of these players got-out of market during financial crisis while others benefited from controlled phase by expanding varied financial products (Worthington & Welch, 2011). UK population for five years 2006-10 is being analyzed and concluded that personal finances and overdrafts have become MUST part of ordinary life and are unavoidable post-crisis 2008 (Gritten, 2011). Avoiding luxuries is far, currently situation has led to cutting regular expenses in daily life but still liquid savings in ones life is vanished. This awakes the need and importance of interest-free banking in the society.

Background of Islamic banking: Islamic banking based on certain principles laid by Islamic shariah, core pillar of which is avoiding *riba* (interest), *Gharrar* (uncertainty) and *maysir* (gambling). Mankind including non-Muslims have strong trends towards Islamic banking especially post-crisis 2008 as an alternative solution to the economic problems (El-Qorchi, 2005) (Iqbal & Molyneux, 2006) (Ahmad, Rustam, & Dent, 2011). (Siddiqui, 2001) defined principles of Islamic banking through risk sharing and embarked earning without risk sharing as unjust. Today, Islamic banking industry worth reached milestone of US\$4.5trillion (Financial Daily Pakistan, 2011).

Preferring Islamic bank: Selection of Islamic banking over conventional banking is mainly on the basis of religious belief. Since growing Islamic banking competition within similar kind of banks and through windows of conventional banks, it has become quite difficult for customers to select an Islamic bank for their core bank dealings. (Hamid & Masood, 2011) (Ghauri & Qambar, 2012) discussed the brand preference in Islamic mortgages that customers select brands on the basis of three factors, of which *customer service* is the leading criteria, followed by *shariah principles* application, and lastly by *pricing*. A previous study on Islamic Bank of Britain also proved similar results where religion stood at 7th among 10 preference criteria (Masood, Chichti, Mansour, & Iqbal, 2009). Some of the researches have also proved that religion is not the primary motivation factor towards attraction of Islamic way of banking (Erol & El-Bdour, 1989) (Gerrard & Cunningham, 1997) (Zaher & Hassan, 2001). Some other studies defined various other factors affecting preference criteria like profit-motive (Erol & El-Bdour, 1989) (Haron, Ahmad, & Planisek, 1994), service quality (Haron, Ahmad, & Planisek, 1994) (Taylor & Baker, 1994) (Levesque & McDougall, 1996) (Jamal & Naser, 2002) (Moutinho & Smith, 2000) (Al-Hawari & Ward, 2006) (Lympelopoulous, Chaniotakis, & Soureli, 2006), desired financial services (Avkiran, 1999), bank's reputation

and ATM provisioning (Almossawi, 2001), risk management (Gerrard, Cunningham, & Devlin, Why consumers are not using internet banking: a qualitative study, 2006) (Ghauri, Hussain, Ramzan, Akhtar, Naeem, & Ahmad, 2012), professional advice and rates of return (Devlin, Gwynne, & Ennew, 2002), low-cost finances, financial status of bank (Dusuki & Abdullah, 2007) and media advertising (Mylonakis, 2007). Contradictory to this point of view, various researchers like (Metwally, 1996), (Metawa & Almossawi, 1998) (Al-Sultan, 1999) (Bashir, 1999) (Naser, Jamal, & Al-Khatib, 1999) (Masood, Chichti, Mansour, & Iqbal, 2009), (Halim, Hamid, & Nordin, 2001) (Ahmad & Haron, 2002) (Bley & Kuehn, 2004) (Sobhani, Zainuddin, Amran, & Baten, 2011) (Worthington, Entering the market for financial services in transitional economies: A case study of credit cards in China, 2005) (Okumu, 2005) (Dusuki & Abdullah, Why do Malaysian customers patronise Islamic banks?, 2007) (Rashid & Hassan, 2009) (Khan & Khanna, 2010) proved religion is key factor for diversion towards Islamic banking.

Whatever, the reasons of preferring Islamic banking, or a particular Islamic bank, we hereby discuss major factors for such selection criteria.

Shariah supervision: Regular shariah supervision is the key factor engaged in Islamic banking operations. Different countries following different models for such board, most of which are based on individual shariah supervisor or supervisory board at institutional level. Recently, BNM, the Central Bank in Malaysia, has introduced single shariah supervisory board to uniform the Islamic banking products.

Brand preference: a lot of research has been done on selection criteria of banks under same way of banking i.e. conventional or Islamic. Many researchers has explained various factors in list of selection criteria including convenient location, strong banker-customer relationship, service quality (Kaufman, 1967) (Laroche, Rosenblatt, & Manning, 1986) (Ahmad & Haron, 2002) (Othman, 2002), swift services, mouth-to-mouth marketing (Martenson, 1985) (Metawa & Almossawi, 1998) (Abbas, Hamid, Joher, & Ismail, 2003), institutional dependence, ease in transactional processing, variety of services and products offered, competitive interest rates (Arora, Cavusgil, & Nevin, 1985), ethnic background and social orientation (Devlin & Gerrard, Choice criteria in retail banking: an analysis of trends, 2004), low service charges (Erdener Kaynak, 2005), brand image (Ahmad & Haron, 2002), confidentiality (Naser, Jamal, & Al-Khatib, 1999) (Abbas, Hamid, Joher, & Ismail, 2003), banking experience (Erol, Kaynak, & Radi, Conventional and Islamic Banks: Patronage Behaviour of Jordanian Customers, 1990) (Gerrard & Cunningham, Islamic banking: a study in Singapore, 1997).

CSR and SRI: This approach has initiated in US and has been adopted in EU, now other parts of the globe are also adopting this approach. Corporate Social responsibility (CSR) is the primary two-fold approach emerged in 1990s, contains: (1) Supporting environment friendly like saving energy, and (2) supporting societal improvement like supporting sports, etc. The other theoretical philosophy Socially Responsible Investment (SRI) is quite old since it was emerged in 1920s but flourished since 1990s; it contains three-fold approach. *First*, Negative screening i.e. to avoid dealings in or with institutions involved in armament, tobacco, gambling, pornography, deforestation, etc. *Second*, Positive Investment i.e. financial support in environment friendly projects, and *third*, Participating Environment i.e. supporting good cause like in earthquakes, floods, raising funds, etc. Currently, various FIs are adopting these concepts, at-least to publish in annual Social responsibility attainability report (Relaño, 2011). Many organizations have emerged awards and recognitions to support such organizations. At-least more than 60 FIs have been noticed practicing activities in more than 30 countries. An idea of establishing *ethical or social banks* emerged in 1980s, these banks, for instance ABS, GLS Gemeinschafts bank and Deutsche bank, are not only focused towards maximizing profits but to contribute socially as well (Relaño, 2011).

Customer Satisfaction: Customer dissatisfaction is the difference in customer expectation and actual performance plus convenience cost (Awan & Bukhari, 2011). In service industry, firm's profit depends upon customer satisfaction since it creates the base for brand pricing in market. Customer satisfaction management (CSM) has direct relationship with brand pricing and service quality which result in higher profits for the firm. Customer's loyalty and brand preference depends on price transparency, price fairness and price quality (Füller, Matzler, & Faullant, 2006). Customer satisfaction is dependant of personal services, teller attitude, commitment realization, location convenience, value-added services, physical environment and corporate image (LeBlanc & Nguyen, 1988) (Awan & Bukhari, 2011) (Hamid & Masood, 2011). Conventional banking is far better in SQ than IFIs, due to branch network, modern equipment, value-added services, expected earnings, precision in work, etc (Awan & Bukhari, 2011).

Pakistani banking sector: Banking was emerged in Pakistan since independence in 1947. First commercial bank was Habib bank which was established in 1946 and shifted whole business to Pakistan after independence. Central bank of Pakistan was incorporated in 1948 to regulate Pakistan's financial industry. First regulation was promulgated in 1962. Adopting the wave of Islamic banking, Pakistan's banking sector reforms regarding Islamic banking were introduced in 1984 and whole banking sector was converted to Islamic banking. Later, in 1995, Islamic bench of Supreme court gave a historic judgment regarding inappropriate practices under the label of Islamic banking and advise financial planners to devise true Islamic banking. Resultantly, first Islamic bank of Pakistan, Meezan bank, was setup in 2002. Today, Islamic banking grows at 23%, as compared to 17% of conventional stream (SBP Annual report, 2010).

Table-I: Islamic banking growth projection in Pakistan (SBP Annual report, 2008)

	2008	2009	2010	2011	2012
Expected deposit size (Rs. million)	215,938	340,128	499,036	722,109	907,064
Annual growth rate		58%	47%	45%	26%
Expected financing size (Rs. million)	184,641	277,153	413,594	600,014	731,591
Annual growth rate		50%	49%	45%	22%
No. of branches	436	655	939	1,205	1,351
Annual growth rate		50%	43%	28%	12%

Currently, there are 5 full-fledge Islamic banks of total 42 commercial banks (excluding specialized banks and DFIs). Some of the banks are developing distinctive Islamic banking setup with good number of branches like Bank Alfalah and Faysal Bank, each of these are operating more than 70 Islamic banking branches across country, followed by category of banks which are operating 30-50 Islamic banking branches like MCB Bank, Standard Chartered Bank, The bank of Khyber (SBP Annual report, 2012). State Bank of Pakistan devised road map to convert whole banking system to Islamic and reaching 12% market share of total banking assets, according to which all banks were advised to open Islamic subsidiaries, branches or windows. Resultantly, now all conventional banks have lodged Islamic banking setup in Pakistan. SBP has also devised legal infrastructure like regulations for conversion of conventional branches to Islamic, establishment of *shariah* supervisory board, regulations for *shariah* supervisors. Islamic banking setup of Pakistan foresees Islamic banking infrastructures of Bahrain and Malaysia. SBP further rolled-out international regulations (issued by IFSB and AAOIFI) for supervision of Islamic banking in Pakistan.

Table-II: SBP plan to implement shariah standards (SBP Annual report, 2008)

Sr.	Shariah Standards	Roll out Date
1	Murabaha to the Purchase Order	By December 2008
2	Ijarah and Ijarah Muntahia Bittamleek	
3	Investment Sukuk	
4	Default in Payment by Debtor	
5	Shariah (Musharaka) and Modern Corporations	
6	Guarantees	By December 2009
7	Mudaraba	
8	Conversion of a Conventional Bank to an Islamic Bank	
9	Salam and Parallel Salam	By December 2010
10	Qard (Loan)	
11	Istisna' and Parallel Istisna'	
12	Dealing in Currencies	By December 2011
13	Debit Card, Charge Card and Credit Card	
14	Settlement of Debts by set-off	
15	Transfer of debts	
16	Jua'la	
17	Financial Paper (Shares and Bonds)	By December 2012
18	Documentary Credit	
19	Commercial Papers	
20	Possession (Qabd)	
21	Sale of Commodities in Organized Markets	

SBP has also implemented training programs for bankers, and general public for Islamic banking awareness.

Methodology

Various researches have been conducted on similar references which conclude to different results. Brief of the latest researches is appended below:

Table-III: Methodologies of research

Researcher	Method	Data	Findings
(Butt, Altaf, Jaffer, & Mahmood, 2011)	Mean ranking technique	Primary data from survey	Public awareness required with vast Islamic branches network
(Ali, Akhtar, & Ahmed, 2011)	Mean ranking technique	214 survey respondents	Customer convenience is the major factor for brand preference (charges, facilities, etc.)
(Razak & Taib, 2011)	Mean ranking technique	320 survey respondents	Customers dissatisfaction to BBA and DP under mortgage, sue to high costing
(Ahmad, Rustam, & Dent, 2011)	Friedman ANOVA, factor analysis, Kruskil-Wallis test	250 survey respondents	Shariah compliance feature lasts in race of determinants for selection of Islamic bank
(Masood, Niazi, & Ahmad, An analysis of the growth and rise of smaller Islamic banks in last decade, 2011)	z-score test (OLS method)	Time series data of 30 Islamic banks for 10 years from 1998 to 2008	Smaller Islamic banks are more stable than larger ones.
(Relaño, 2011)	BS analysis of social responsibility	Application of 4 banks (2 German and 2 French)	Social or ethical practices in banks maximize financial and ethical returns
(Hamid & Masood, 2011)	Mean and SD analysis technique	200 survey respondents	Keys factor for selection of Islamic banks is religion, followed by quality service, then price
(Awan & Bukhari, 2011)	Factor analysis and MCDM (multi-criteria decision making)	200 survey respondents	Conventional banking is far better in SQ than IFIs, due to branch network, modern equipment, value-added services, expected earnings, precision in work, etc.

We have selected three-fold approach to conclude our study in a unique way to conclude best possible results. First method includes review through financial statements whereas second and third parts are based on surveys. First part of financial analysis includes comparative analysis of growth trend of Islamic and conventional banks. Clusters of conventional and Islamic banks are made to analyze the growth efficiency for five years since 2007. Cluster of Islamic bank includes all Islamic banks working in Pakistan i.e. Al-Baraka Bank, Bank Islami Pakistan, Burj Bank, Dubai Islamic Bank and Meezan Bank, whereas cluster of conventional banks include banks which are of approximate same size i.e. Askari Bank, Bank Al-Falah, Bank Al-Habib, Faysal Bank and Habib Metropolitan Bank.

Other parts include two surveys each of which consists of two segments. First segment discusses basic information of respondents and the second one includes basic survey information through four-point likert scale method. Some subjective questions are also added in second segment to reach actual facts according to our research objectives. First part describes the nature of respondents whereas second part concludes the required results. Considering the core banking market of large city in Pakistan, survey was gathered from various branches of different Islamic banks including Bank Alfalah Islamic banking, Bank Islami Pakistan, Burj Bank, Meezan Bank and Standarad Chartered Bank Saadiq banking. Both of the surveys were collected in separate sessions from different branches of these banks.

Data Analysis and findings

1. Growth trend through financial results

Data has been collected from audited annual reports of banks from 2007 to 2010. Clusters have been made for conventional and Islamic banking to analyze comparative results.

Fig-I: Total deposits growth rate

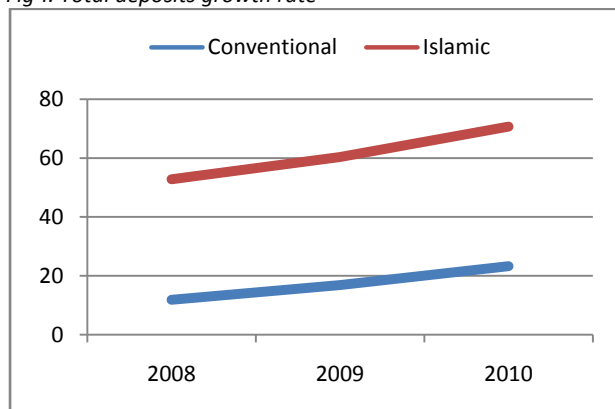


Fig-II: Total Finances growth rate

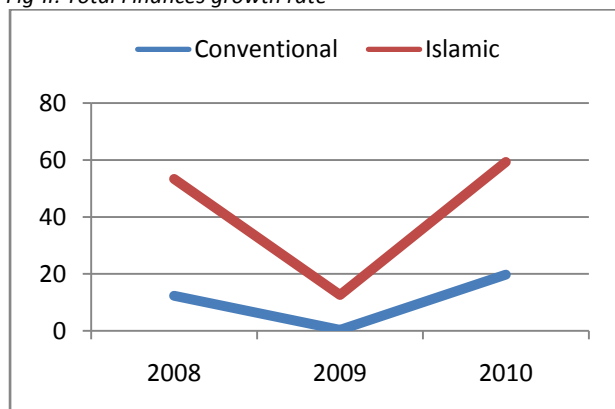


Fig-III: Total Assets growth rate

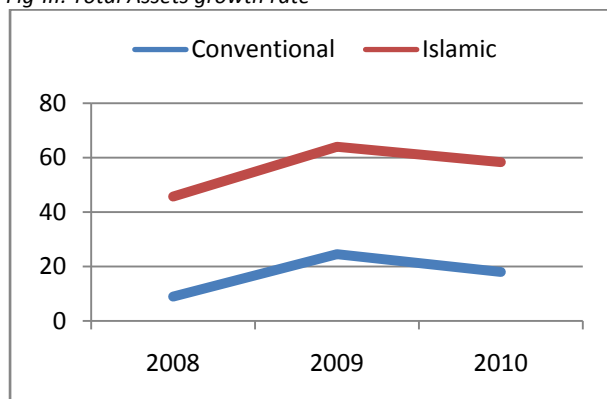
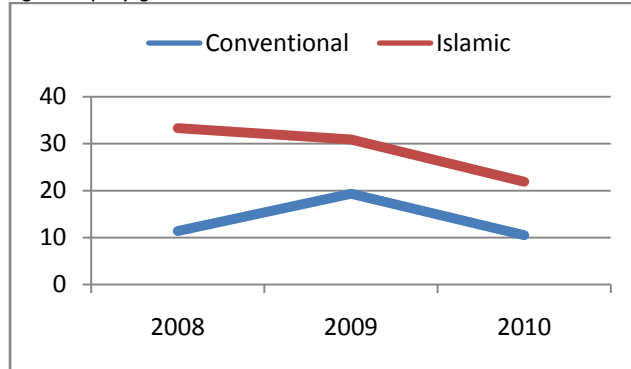


Fig-IV: Equity growth rate



Above figures 1 to IV depict better results of Islamic banks in Pakistan in comparison with conventional counterparts. Growth in total deposits, total finances (net of provisions), total assets (net of provision) and shareholders' equity have been discussed from 2007 to 2010. Results depict that Islamic and conventional growth trends run side-by-side therefore it can be assumed that same factors are affecting Islamic banks financial growth which posed to impact on growth of conventional banks. Secondly, it has been concluded that Islamic banking growth charts are higher in all aspects of analysis.

2. Bankers' survey

A survey has been conducted through an instrument based on analyzing the major determinants of customers' preference to prefer a particular bank. This survey was conducted through Islamic bankers. Survey contained two major segments. First segment based on basic information of respondent, and the latter based on variables assessed through discussed literature review.

Variables identified in this instrument contained Products compatibility (PC) of IBs with CBs; Services offering (SO) by IBs with CBs; Shariah compliance of IBs (SC) and Product knowledge of general public with respect to banking (PK). Linear equation model may further be termed as:

$$G = \delta + \mu_1 (PC) + \mu_2 (SO) + \mu_3 (SC) + \mu_4 (PK) + \epsilon \tag{1}$$

Survey was conducted from bankers of Islamic banks from different branches and reliability analysis was assessed through Cronbach's alpha which resulted as 0.670 (quite reliable since it is greater than benchmark of 0.5).

Table-IV: Frequency table of bankers' survey respondents

		n	%
Gender	Male	52	81.2
	Female	12	18.8
Qualification	Upto Graduate	31	48.4
	Masters	32	50.0
	Above Masters	0	0.0
	Professional	1	1.6
Age	Upto 25 years	17	26.6
	26-35 years	41	64.1
	36-50 years	5	7.8
	Above 50 years	1	1.6
Banking Experience	Upto 5 years	51	79.7
	6-15 years	12	18.8
	15 years above	1	1.6
Islamic Banking Experience	Upto 5 years	63	98.4
	6-15 years	1	1.6
	15 years above	0	0.0

Table-IV reflects the respondents' analysis of survey from bankers.

Table-V: Survey analysis from bankers

	YES (%)	BIT OF (%)	NO (%)	DON'T KNOW (%)
Do you understand the products offered by Islamic banking	90.6	9.4		
Do you believe Islamic banking windows/branches offer all products and services as offered by conventional banks	46.9	35.9	17.2	
Do you believe that Islamic banking windows/branches are fully compliant with shariah guidelines	71.9	28.1		
Do you consider that Islamic banks/branches and windows of conventional banks are offering competitive rates of returns as offered by conventional banks	43.8	39.1	17.1	
Do you consider that Islamic banks' staff is well aware of shariah guidelines regarding islamic finance	71.9	28.1		
Do you believe general public is well- aware of Islamic banking	14.1	53.1	31.2	1.6
Do you consider State Bank of Pakistan (SBP) is helpful in promotion/support of Islamic banking in Pakistan	60.9	35.9		3.2
	Monthly (%)	Quarterly (%)	Bi-Annually (%)	Annually (%)
How frequently Islamic banking staff training/refresher courses are conducted by your bank	75	25		
How frequently Islamic banking awareness sessions for general public are conducted by your bank	28.1	48.4	3.1	20.3

Table-V reflects the analysis observed from survey filled by bankers regarding the determinants of customers' selection of a particular Islamic bank.

3. Customers' survey

A survey has been conducted through an instrument based on analyzing the major factors that impact customers' decision to select core Islamic institution for core banking needs. Designed instrument has two segments. First segment based on basic information of respondents, and the latter one contained basic information to be collected from respondents. Subjects were accessed in five Islamic banks that have good customer and product base in Islamic financial market of Pakistan.

Customers' survey based on certain variables of Products compatibility (PC) of IBs with CBs; Services offering (SO) by IBs with CBs; Shariah compliance of IBs (SC) and Product knowledge of general public with respect to banking (PK). Linear equation model may further be termed as:

$$G = \alpha + \theta_1 (PC) + \theta_2 (SO) + \theta_3 (SC) + \theta_4 (PK) + \epsilon \quad (2)$$

Instrument was obtained from 99 respondents and reliability analysis was assessed through Cronabach's alpha value which stood at 0.674 (quite reliable since it is greater than 0.5).

Table-VI: Frequency distribution table of Customers' survey

		N	%
Gender	Male	85	89.5
	Female	10	10.5
Qualification	Upto Graduate	54	56.8
	Masters	34	35.8
	Above Masters	1	1.1
	Professional	6	6.3
Occupation	Student	12	13.3
	Salaried	54	60.0
	Self employed professional	3	3.3
	Businessmen	21	23.3
Age	Upto 25 years	24	25.3
	26-35 years	44	46.3
	36-50 years'	22	23.2
	Above 50 years	5	5.3
Banking User	Upto 5 years	50	52.6
	6-15 years	31	32.6
	15 years above	14	14.7
Islamic Banking User	Upto 5 years	81	96.4
	6-15 years	3	3.6
	15 years above	0	0.0

Table-VI depicts the frequency distribution of survey respondents. Detailed analysis of survey was mentioned in table-VII.

Table-VII: Analysis of customers' survey

User of banking	Conventional	Islamic	Both	None
	14%	21%	65%	
	YES (%)	BIT OF (%)	NO (%)	DON'T KNOW (%)
Do you understand the essence (products-bankground) of general banking	67	27	4	2
Do you understand the products offered by Islamic banking	55	37	4	4
Do you believe fully Islamic banks offer all products and services as offered by conventional banks	52	30	12	6
Do you believe Islamic banking windows/branches of conventional banks offer all products and services as offered by conventional banks	35	46	15	4
Do you believe Islamic banking windows/branches of conventional banks offer all products and services as offered by fully Islamic banks	40	38	15	7
Do you believe that Islamic banking windows/branches of conventional banks are fully compliant with shariah guidelines	40	32	18	10
Do you believe that fully Islamic banks are fully compliant with shariah guidelines	67	21	7	5
Are you satisfied with services offered by Islamic banking windows/branches of conventional banks in line with regular conventional banking branches	48	40	9	3
Are you satisfied with services offered by fully Islamic banks in line with conventional banking branches	57	26	14	3
Do you consider that Islamic banks/branches and windows of conventional banks are offering competitive rates of returns as offered by conventional banks	47	32	20	1
Do you consider that Islamic banks' staff is well aware of shariah guidelines regarding islamic finance	61	26	10	3
Does Islamic banking staff satisfy you in response to queries related to Islamic banking products and services	66	26	3	5
Do you prefer charges on products and services by Islamic banks while selection of your Islamic bank	31	26	35	8
Do you consider value-added services (like visa card, ATM, branch location, internet banking, mobile banking, etc.) while selection of your Islamic bank	67	18	11	4

Analysis of survey depicted as table-VII results positively that general public is well aware of products offered by conventional banks and Islamic banks offer compatible products and services as of conventional banks. Moreover, it is analyzed that services offered by IBs are in compatibility with CBs, and value-added services are also considered as criterion for selection of IBs. All products of IBs are also considered as shariyah-compliant. Survey result further analyzed that IB windows of CBs are also offering similar products and services as of IBs.

Conclusion

This research was conducted with perspective of analyzing determinants of selection of a particular Islamic bank by customers. Studied literature review had defined various factors in this context. A treble methodology was applied to the research. First methodology carried on through secondary data of conventional and Islamic banks' financials. Cluster was time series analysis and its comparison depicted that Islamic banks' spread are on higher ends in comparison with conventional banks.

The other study conducted from bankers of Islamic retail infrastructure reveals that customers prefer Islamic banks on the basis of religion and decide on basis of different criteria. These criteria depend upon their ethnography, social and economic stature. However, innovative products offering and regular staff training and refreshers improve customers' confidence over Islamic banking. Moreover, training need analysis for general public is also required to improve the growth of Islamic banking in country.

Latter surveys with clientele conclude that apart from religion, there are certain determinants to customers for selection of a particular Islamic bank. Ranking of these factors may be enlisted as offered products and services, rate of returns, location convenience and value-added services. Customers usually define their own criteria for selection of a particular bank based on their own needs and requirements. Gender and customers profession may determine the measures to define customers' criteria of selection and preference.

Practical Implication

This paper helps in determining the major determinants of customers preference of Islamic banks and these result may help on determining Islamic banks and central banks policies related to growth and promotion of Islamic banking in Pakistan.

Recommendations

Analyzing the complete study determines the recommendations as:

- Products structuring on basis of shariyah principles and customers requirements
- Value-added services to help customers' infrastructure
- Introduce branchless banking in Islamic banking infrastructure

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