

HOW THE ISLAMIC BANKS ARE POSITIONED TODAY: CASE OF PAKISTAN

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This paper investigates how the public's awareness level can enhance the future potential of Islamic banking in Pakistan and explores their current understanding of Islamic banking services and instruments. It also discusses the potential promotion issues and barriers to the development of Islamic banking in Pakistan. Primary data was collected from five hundred respondents sampled from the major cities like Islamabad, Lahore, Multan, Karachi, and other distant areas, and analyzed through SPSS. Our findings show that although the public perceives Islamic financial institutions as characterized by ethical norms and where there's a willingness to patronize Islamic banking, neither they have adequate awareness of Islamic banking products, nor enough information and means are ensured. There is a dire need for public awareness campaigns, and training programs for the banks' management and employers through seminars and conferences, encouragement, and development of Islamic banking by the government and banks to boost the future potential of Islamic banking in Pakistan.

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INTRODUCTION

Banking system acts as a typical bank-based financial system for mobilization and furnishes capital to the economy (Nguyen, 2022). So, Banking efficiency stands among main determinants of overall economic growth (Hammoudeh et al., 2020). Expansion's requisite for banking sector and its efficiency is through elevation of financial inclusion reflecting economy's pathway towards sustainable development. There's existence of substantial alignment of financial inclusion with Islamic banking efficiency and to have inclusive financial decorum is emphasized in order to be benefited from high level of financial efficiency (Bann et al., 2022).

So, defining financial inclusion regarding its substantiality it states inclusion of masses into available financial services and markets. Financial inclusion stands to be crucial for every country's infrastructure (Stjernberg and Petersson, 2022). The world's 1.7 billion population lives without primary financial instruments indispensable for their private economy and future investments. This figure of 1.7 billion makes up 37% of adults out of a total of 76% of entire world according to 2021 World Bank Index. These people can be facilitated and be put out of poverty by dint of financial inclusion by consuming affordable financial services.

Resultantly, financial inclusion retains the ability to be exercised in enabling and accelerating economic growth, promoting and developing employment and revamping financial health, (United Nations n.d.).

Regarding financial inclusion's significance, it's become a major phenomenon for the achievement of sustainable growth and acts as a drive force towards economic growth for which banking sector hold more specified position in lining to growth in economy (Balar & Sulong, 2018). Because Banking sector works as backbone of any economy speeding up financial and economic development with its efficiency. So ultimately, higher financial inclusion leads to high economic development through poverty reduction, enhanced employment rates, sufficient knowledge, accessibility and affordability of financial goods and services not only to high income group but to middle and lower class as well overcoming the income inequality and ultimately reflecting an ameliorated economy with efficient banking industry. Hence, financial inclusion possesses a positive impact on both long-term and short-term aspects of economic growth and holds existence of unidirectional relationship between financial inclusion and economic growth (Azizi, 2022).

Inefficient financial inclusive environment means financial exclusion expansion referring to unavailability of common financial services to individuals and population which can be either voluntary or involuntary. Voluntary exclusion signifies a deliberate turndown of financial services while involuntary exclusion indicates unavailability of financial services mainstream to people due to lesser income, unaffordability, inaccessibility to banks, savings etc. Low financial inclusion means more financial exclusiveness, reducing the level of development in economies. Morocco, Vietnam, Egypt, Philippines, Mexico: these are the top 5 countries, according to a study released by the British research platform Merchant Machine, where the unbanked population (financially excluded) is the largest. Pakistan was ranked 5th in the world among 55 countries surveyed for financial inclusion by EIU in 2015 with 41.7 million banks accounts for adult population (South Asia Investor Review, 2015). But now, voluntary exclusion holds a significant portion. Seeing that there can be sets of users who voluntarily exclude themselves from the system, due to conflicts with their religious or ethical values (Mohieldin et al., 2011). This religious rationale is considerably "Prohibition of interest" in Islam. According to

Sharia terminology, Riba (interest) implies any excess compensation without due consideration (consideration does not include time value of money). Violation of this instruction is shown in Quran with punitive consequences as followed:

O believers! Fear Allah and write off whatever balance remains of usury if you are believers (true to the core of your hearts). But if you do not do so, then be warned of the declaration of war from Allah and His Holy Messenger (blessings and peace be upon him). And if you repent, then your principal amounts are (lawfully) yours. (In this case) you will neither do anything wrong, nor be wronged. (Al Baqarah, 2: 278-279)

As a Muslim nation, Quranic and Sunnah instructions are obligatory to be complied with. That's the most major reason for existence of Islamic Banks in Muslim countries. But according to world bank survey 2019, 79% population of Pakistan is financially excluded. In view of the Islamic banking in Pakistan in last decade, composition of industry stayed unchanged with 22 Islamic banking institutions IBIs consisting of 5 fully-fledged Islamic Banks and 17 conventional banks having Islamic branches as per Islamic banking bulletin by Islamic Banking Department of Pakistan. Although Islamic Banks have flourished very well in late 2010s constituting 10% of banking industry but still now it's not up to the mark as compared to conventional. Public has lesser knowledge, awareness and more negatively developed perceptions being unknown to Islamic banking's benefits and usages. Being independent in 1947, steps towards Islamization of banking started in 1977-78 and in January 2002 Meezan Bank was the first to receive first Islamic commercial banking license from SBP while conventional banking has been working since independence. It all shows that Islamic banking in Pakistan lacks that streamline, productivity and effective systemization that could be developed in 75 years being 25% of total population. Providentially, Pakistan's government has moved its concern more towards improvement and advancement of Islamic banking in Pakistan. Proceeding promotional course of action, the Federal Sharia Court on April 28, directed the government for entirely transforming banking system into Sharia compliant Banking System by December 2027 against which commercial banks and SBP filed a plea in the Supreme Court arguing that SBP was committed to

ensuring compliance with Islamic injunctions of finance while protecting the stability and security of Pakistan's financial sector.

The SBP In its plea stated,

"While Islamic modes of finance are a growing area of interest for foreign providers of finance, the adoption of modes of finance with respect to any advance is not in the hands of the state of Pakistan and its various instrumentalities. Funding arrangements with international providers of finance are a matter of negotiations carried out by the designated officials/authorities of the state of Pakistan. The form and the terms of such arrangements are not dictated by any law in force in Pakistan but are a result of the best outcome that the state can achieve in the arena of international finance."

Moreover, in a recent turn of events in November 2022, federal finance minister Mr. Ishaq Dar announced withdrawal of two review petitions filed by the State Bank of Pakistan and National Bank of Pakistan against the judgment of Federal Sharia Court to transform Pakistan's economic and financial system as Riba-free in five years. Proclamation was made for transfiguration of the country's banking system into interest-free banking system in the coming 5 years.

This resolution can stand prosperous and victorious only when public contributes, appreciates and strives, enabling functioning of banking system within framework of sharia and execution of this motive can't be momentous without enough level of awareness and positive perception by whole nation. Higher the public's awareness and positive perceptions towards Islamic banking advantages, higher will be their willingness to patronize it and eventually boosting their spirit to emerge as a strong Islamic banking industry of a booming society based upon principals of Quran and Sunnah.

RESEARCH OBJECTIVE

To attain and evaluate this required level of awareness and public's perception about Islamic banking products and services, this study has been conducted with following research objectives:

- To study the impact of awareness on future potential of Islamic banks in Pakistan.
- To study the impact of awareness on future potential of Islamic banks in Pakistan mediated by perception.

RESEARCH QUESTION

All these objectives will be achieved through answers to our research questions inclusive of the following:

- What is the impact of awareness on future potential of Islamic banks in Pakistan?
- What is the impact of awareness on future potential of Islamic banks in Pakistan mediated by perception?

SIGNIFICANCE OF STUDY

This research will be signified as torch carrier in aiding Islamic Banks in recognizing the shortcomings and strategizing their framework in a way that will improve public's perception and awareness level by prevailing-over the misconceptions in their mind about Islamic banking products and its services satisfying their religious perspectives also.

LITERATURE REVIEW

Study is set to examine degree of awareness and public's perceptions about Islamic Banking keeping in view well documented aspects. Bulut and Celik (2021) carried out research in Turkey with a purpose to study the factors that influence the perception of farmers towards Islamic banking and their Knowledge about Islamic banking as well. They found out that out of the total 1902 participant Farmers less than 10 % of them use Islamic banks and the 59% of the farmers declare that they know nothing about Islamic banking. Adding to this they came to know that knowledge level, perception of religious compliance, saving ability and cost concern are among the factors that lead to the probability of using Islamic banking.

Another study showed level of knowledge towards modes and use of Islamic financing is low while attitudes of Muslim society towards this aspect can be seen a bit favorable influenced by opportunities provided by Islamic banks to society hence concluding that such attitudes can be impacted by financial inclusion contributed by Islamic bank (Latif, 2020).

Shamsudheen, Mahomed and Mohamad (2020) carried research in UAE on 237:416 and 70 balanced responses and found that selection criteria for customers to choose Islamic banking include many factors but it was seen that factors of cost and affordability and rates and return are prioritized above factor of Shariah-compliance.

Customers of Islamic Bank in Gambia had more knowledge about Islamic banking than their conventional counterparts. However, for the sample of 150 customers their awareness level and usage of Islamic products was very poor. Almost all customers agree that interest is prohibited in Islam, but they regard The Islamic banks not to be shariah compliant. The findings show that religious commitment and knowledge about Islamic banking are the most important determinants for use of Islamic Banking (Sonko, 2020).

In a recent research, Pantari and Aji (2020) tested attitudes of customers towards Islamic Banking with some variables like awareness level, perceived social value, subjective norms and intention to use Islamic bank in which PSV (perceived social Value) was based on losses and benefits perceived by customers while using Islamic bank's product or service and they reached the result that customers having more awareness are more likely to have greater intentions to use Islamic banks and hence bringing an end to research that all these variables have a positive and significant impact on customer's intentions to use Islamic banks except perceived value which imposes no significant impacts on customer's intentions and attitudes of using Islamic banks.

Contrastingly, study conducted by Chowdhury, Saba and Habib (2019) to identify the extent of influence by most influential factors and other factors that attract customers towards Islamic Banking, and it showed that the most influential factor for desirability of Islamic bank was religious preference as more than 45% of respondents of their study preferred Islamic banks due to this reason.

Another research was done on analyzing level of awareness and perceptions of Muslim society in Philippines giving results that most of the respondents knew Al Amanah Islamic Investment Bank of Philippines exists. They also are aware of the prohibition of interest-based activities. But the Point is that they were not aware of the Islamic modes of financing such as Mudarabah, Musharka, Murabayah and Ijarah. Also, the respondents believed that the Islamic bank has not Done enough to promote and market its products to public and they believed that specific Marketing strategies and policies would lead to positive future of Islamic banking (Latif, 2019).

According to the studies conducted in Pakistan regarding the awareness and perception of customers towards Islamic banking ,the study of Riaz, Khan and Khan (2017) show that the overall perception Of customers towards Islamic banking in Pakistan is

positive however there are areas of improvement regarding the awareness of Islamic banking products .Statistical analysis of their study also showed that awareness, knowledge and religious affiliation have positive influence on the perception of customers towards Islamic banking .

Chaouch (2017) conducted a study aimed at Tunisian banking customer's awareness and perceptions of Islamic bank's and found out that limited knowledge is being delivered to the clients and non-clients along with constrained familiarity with Islamic finance instruments. So, Islamic instruments like Bay' Ajil, Bay' Salem, Istisna, Mudarbah, Murahaba etc. are either unknown to respondents or have limited awareness. Findings also pointed towards the confined knowledge of Islamic financing services and showed the presence of positive public perception of Islamic bank's regarding Islamic standards which is beneficial for Islamic Banking sector.

Al-Hunnayan & Al-Mutairi (2016) conducted research about attitudes of customers towards Islamic banks in Kuwait and figured out that as per customer's perceptions, quality of service, responsive attitude of bank's staff and low-services charges by bank make to the top of list of significant factors in selection of any bank along with considering bank's mass media as least important item. Moreover, Muslims opt for Islamic Bank for its compliance with Shariah as interest is prohibited therefore Islamic banking is preferred more comparatively to conventional banking and thus it's seen as a benefit in customer's religious view but it also showed findings consistent with results researched that it's difficult for Islamic Banks to gain customer's attraction only by relying on their religion motive and Islamic banks should innovate more ways rather than relying on marketing strategy concerned only about religiosity of financial products so they must have to deliver better, wider range of products, services and training programs to gain enough attraction of customers.

Regarding review analysis, another research was done in America whose Subjects were between age 35 to 44 and earning between \$50,000 And \$150,000 annually. More than half of the respondents had general familiarity with Islamic Banking although most of them had no Islamic banking relationship nor were they aware of Islamic banking products available to them. Some of the respondents had some awareness but had no experience of using them. This study also showed that Muslim population in

Chicago was interested in learning about Islamic banking and to potentially become customers of Islamic Banking system (Mohamad, Abu-Salma & Al-Zoubi, 2015).

Research paper examines consumer's awareness of Islamic banking and financing because it determines their patronage and the probability of patronizing the bank keeps rising if awareness and understanding increases (Kareem, 2015). This research also showed that bearing unlimited liability also comes to the front as one of the main characteristics of interest free-financial system and most of the respondents were not ready to bear such burden which caused less attractive perception towards Islamic banks. Statistically, 81.4% of respondents showed their willingness to do business with Islamic banks if they are well established while 5.6% respondents showed unwillingness to patronize Islamic Banking in Nigeria even if it was the only product in Nigerian economy due to lack of awareness of its products and their uses.

Continuing with practice level of Islamic banking products and services, it was revealed that lower level of patronization may not be only just because of the customers lesser knowledge but also of the staff and bankers who are supposed to provide enough detail and awareness about Islamic banking and financing and their instruments.

According to a studying about exploring Islamic principles related to interest and profit, products and services perceptions of customers about shariah compliant services conducted by Masood, Rehman & Rehman (2014) that when it comes to elaboration of Islamic instruments, bankers fail to satisfy the customers due to less awareness. Moreover, some respondents are of the view that Islamic financing products are considered Islamic but with less assurance that whether they're proper in nature or not so when less-acquainted bankers with shariah rules and regulations are asked about a product, they end up replying that they've to check whether we can provide this product or not, which leads to the development of customer's negative perception and being less confident about Islamic financing products.

Shoaib & Rehman (2014) conducted a study about perceptions and knowledge of employees in both Islamic banks and conventional banks which offer Islamic products and services. They found that employees have positive perceptions towards Islamic banking and Islamic bankers have high degree of knowledge in Islamic products and services and

there's no significant difference in perceptions of bankers of both Islamic and conventional banking. They ended with conclusion that potential of Islamic products and services is high In Pakistan due to positive impact of employees' perceptions which builds up Islamic Bank's potentiometer to compete equally with other conventional banks and better in Islamic products and services line as they are solely focused into it. It also showed that government is actively participating for the expansion and development of Islamic banking industry in Pakistan. Research was made to study Islamic Banking adoption criteria in Pakistan which showed that awareness about the Islamic teaching is Islam appears to be the most significant factors in adoption of Islamic banking. Moreover, it stated that a wide range of Islamic financial products and services must be offered by Islamic banks for the creation of a strong customer base but as per findings it's obvious that awareness level of public regarding Islamic financial products and services is low and no significant relationship with adoption to Islamic Banking was found. And as for the people having knowledge of Islamic financial teaching, they lack the knowledge about Islamic banking products. Also finalizing the results with the aspect that inadequate communication efforts are made by Islamic banks which are not enough to persuade people attitude towards Islamic Banking and financing (Tara et al., 2014).

Research continued to analyze the factors and environment which could promote Islamic Banking and finance so another study showed that people in Dagestan were unaware of the Islamic banking products and services with only 11.8% being aware .Only 6.1% were aware about the Islamic contracts such as Mudarabah, Musharka, Murabaha and only 10.8% of people knew about profit and loss sharing accounts .Also this study proved that awareness was affecting the perception of people towards Islamic Banking. The lesser they were aware the worse perception they started to build (Abduh & Idrisov, 2014).

Examining level of understanding towards Islamic Banking concepts in Kazakhstan, it was found out in a study that more than half of the respondents have enough knowledge of Islamic financing operations and 71.4% of respondents showed their willingness to patronize Islamic Banking because of sharia compliance issues for only in Kazakhstan thus limiting the research results and ended up concluding that awareness and willingness for Islamic Banking

and financing and for its patronization is significant as it helps regulators to recognize their customer's behaviors for development of best marketing strategy for Islamic Banking (Abduh & Omarov, 2013).

It's also a point of belief that not only lesser knowledge and non-patronizing perceptions was the reason of lower growth of Islamic banks all over the world, but somehow the Islamic banking itself is also stuck in older ways and is facing difficulty to simplify its complex structures and strategies to strive successfully against conventional banks in all modern aspects.

Furthermore, an investigation was conducted in United Kingdom about the user perception of Islamic Banking practices in the country. They found that Islamic banking in UK was not fully aligned with principles of Islamic finance. People were generally aware that profit and loss sharing element represents true spirit of Islamic banking, but the complexity of Islamic Banking products didn't let them fully get aware about the benefits of the system. And conclusion was drawn that more effective marketing strategies would be required to increase awareness of Islamic banking products among people to promote Islamic banking (Akbar et al., 2012).

Abduh and Omar (2010) found that bank customers tend to view Islamic Banks as more secured considering that their funds will be in more safe hands. The percentage of those who believe such is almost six times greater than those who perceive otherwise. This Positive perception towards safety of fund is due to the only Islamic bank in Indonesia until 1999 which is Bank Muamalat Indonesia (BMI), and which had performed very well during the 1997/1998 Asian financial crisis which hit Indonesia severely and led to the collapse of many Banks.

Moreover, Khatkhat and Rehman (2010) showed that customers in Pakistan are not aware of the different Islamic banking products and the modes of financing such as Murabaha and Ijarah financing. Just to add 45.5% of the sample was not aware of Murabaha financing, 43.6 % were not aware of Ijarah financing, 47.4 % and 34.6% were not aware of Musharakah and Mudarabah Respectively. Also they found out that most of the customers have been using both banking systems that is Islamic and conventional .This is because according to the perception of customers Islamic banking does not provide efficient products that the conventional system provides .So Islamic banking needs to work on spreading awareness either through seminars or marketing .Second they need to work on the product provision to their customers and

last but not the least they must also work on networking to ensure that customers of Islamic banks find the branch of their bank at the most nearest location.

Besides working on the Islamic Banking strategies and customers awareness level, as stated earlier, the level of knowledge of the banks management and its employees also plays a crucial role in creating awareness among public which ultimate depends upon the sufficient and proficient understanding of Islamic banking and financing products and services itself.

Regarding this aspect, research conducted to gauge perceptions of employees both in Islamic and conventional banks about Islamic products and services, training and experience in Islamic banking was conducted which showed that bankers in Islamic banks appear to have more positive perceptions. In terms of level of knowledge, bank management seem to provide greater training to employees so that they are well equipped with knowledge of Islamic banking and finance to handle their customers. However, bankers also claimed to have limited knowledge in this area prior to working with banks. Moreover, a significant number of respondents showed that they didn't possess that much working experience or a related background while most of them agreed to have adequate knowledge of products and services with which they must deal (Zainol & Shaari, 2008). Akhtar (2007) studied Islamic banking past, present and future outlook and concluded that Islamic banks are required to grow at 40-50% annually to increase its shares which are currently 3.5% to 15%. Although Islamic banks are showing growth at fast rate but for this share to be achieved, Islamic banks would have to be steeper.

Research was carried out by Ahmed and Haron (2002), in Malaysia on perceptions of corporate customers towards Islamic Banking as corporate customers are considered as key players in economy. It was found that 65% of participants indicated limited knowledge with majority being non-Muslims and knew Muslims don't patronize with conventional system due to prohibition of interest in Islam while 38.1 per cent of the respondents were unfamiliar about the nature of profit-sharing principle in Islamic banking system, about 50 percent believed that this principle was only the one which Islamic banks used in replacement of interest. So, misconception regarding objective and philosophy of establishment of Islamic bank was pointed out and was also believed the need for ways that must be adopted by

Islamic bank's for-profit maximization. This lack of awareness leads to limited attractiveness towards Islamic Banking system which ultimately decreased growth of Islamic Banking systems as in 2000, total deposit of conventional system was 381 billion and deposits by Islamic banks were 31 billion.

As per the literature stated above, different views exist about awareness level and perception of public towards Islamic Banking and financing varying from economy to economy and even at micro level also. And can be said in a point that awareness level and public's perception stand among the top variables influencing the potential growth of Islamic banking and financing sector.

Many renowned and top ranked research have been conducted previously which definitely conduce to collection and studying data on issues of Islamic banking sector and its betterment. But there are certain points which give our study a more competitive advantage than the studies conducted previously. Starting with the sample size taken is 500 while other studies being conducted within Pakistan dealt with a smaller sample. Moreover, for more reliable and non-biased data, the data collection was carried out in all provinces in Pakistan specially in major cities like Karachi, Islamabad, Lahore Multan, Gujrat and the remote areas such as Gilgit Baltistan, Azad Kashmir and others. So, it's an overall representative sector of Pakistan. Adding to this, study conducted emphasizes the variables in detail and their impact on expansion of Islamic banking and financing circle. Besides, the data collection was in both manual and online means. Interviews were conducted both online and in person manner. On the top of that and most significant one that no other research conducted in context of Pakistan has studied perception of public as a mediating variable while our study brings attention to impact of awareness level and public's perception as mediator on the potential growth of Islamic banking sector.

Although having these plus points but there's always a research gap that exists caused by many factors. Human error can't be eradicated, irresponsible and non-interested nature of respondents including the interviewers hesitating for provision of details which were required for the data. Moreover, it is impossibility of data to be collected from every individual and to be aware of every individual's perspective. Gap exists as other than awareness and perception, several other variables are also the leading factors influencing Islamic banking growth so, there's a factor of generalization involved.

METHODOLOGY

Methodology used for collection of primary data was through use of questionnaires from different customers using Islamic and conventional banking systems. Sample size taken was of 500 respondents from different and major cities of Pakistan upon which the frequency distribution and descriptive analysis were performed and findings were extracted.

FINDINGS AND DISCUSSION

Reliability Analysis

Table 1 shows the results of Cronbach's Alpha which is used to measure the reliability of the questions used in this study for each variable. For the first variable "reason to deal with Islamic Bank" alpha value is 0.885, which is reliable because standard value for alpha is 0.70. For the second variable "Awareness Level" alpha value is 0.928, which shows the reliability of the items. For the third variable use in study "reason not to deal with Islamic bank" alpha value is 0.871, which is reliable. For the fourth variable "Future potential" alpha value is 0.884, which is also reliable.

Table 1 Variable Reliability

Variables	Cronbach's alpha value	Results
Reason to deal with Islamic Bank	0.885	Reliable
Awareness Level	0.928	Reliable
Reason not to deal with Islamic Bank	0.871	Reliable
Future potential	0.884	Reliable

The results of **Table 2** showed that 56.1 percent respondents were male and 43.9 percent respondents were females. Whereas, 0.5 percent respondents were from the age group of less than 18 years, 68.6 percent were from the age group of 18-28 years, 12.2 percent from the age group of 29-39 years, 14.1 percent respondents were from the age group of 40-50 years, 3.2 percent respondents were from the age group of 51-61 years and 0.7 percent respondents were from the age group of 62-72 years. Question about qualification revealed 55 percent of the respondents were bachelor's degree holder, 16.6 percent of the respondents were masters' degree holders, 12.7

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percent were holding M.Phil. degrees, 6.7 percent were holding PhD degrees and 9.0 percent have some other qualifications. 68.6 percent of respondents were single, and 31.4 percent were married. All the respondents were Muslim. 17.6 percent respondents were government employees, 6 percent respondents were businesspersons, and 54 percent respondents were university students. 36.7 percent respondents were doing their job on the current post for less than a year, 26.6 percent respondents having work experience of 1-5 years, 6.5 percent respondents having experience of 6-10 years and 30.3 percent having experience of more than 10 years. 63 percent respondents having yearly income of less than 500,000, 14.1 percent of respondents having annual income of 500,000- 1,000,000, 7.9 percent of respondents having annual income of 1,000,000-1,500,000, 4.4 percent of respondents having annual income of 1,500,000-2,000,000, 4.2 percent of respondents having annual income of 2,000,000-2,500,000 and 6.5 percent of respondents having annual income of more than 2,500,000.

Table 2 Demographic profile of respondents

Variables	Value	Percentage (%)
Age	Under 18 years	0.5
	18~28 years	68.6
	29~39 years	12.2
	40~50 years	14.1
	51~61 years	3.2
	62~72 years	0.7
	73 years & above	0.7
Gender	Male	56.1
	Female	43.9
Marital Status	Single	68.6
	Married	31.4
Religion	Muslim	100.0
	Non-Muslim	-
Academic Qualification	Bachelor's degree	55.0
	Master's degree	16.6
	MS	12.7
	M.Phil	6.7
	Phd	9.0
	Others	
Current Post	Government Employee	17.6
	Businessperson	6.0
	Student	54.0
	Others	22.4

The number of years post is held	Less than 1 year	36.7
	1-5 years	26.6
	6-10 years	6.5
	More than 10 years	30.3
Yearly Income	Less than 500,000	
	500,000~1000,00	
	0	63.0
	1000,000~1500,0	14.1
	00	7.9
	1500,000~2000,0	4.4
	00	4.2
	2000,000~2500,0	6.5
	00	
	More than 2500,000	

Results of the study showed People who are having account in the Islamic bank, 3 percent of them are strongly agree that they are satisfied with their experience with Islamic bank. 7.3 percent people are agreeing that they are satisfied with their experience with Islamic bank. 7.9 percent people are neutral, 1.5 percent are disagree and 1.3 percent are strongly disagree that they are satisfied with their experience with Islamic bank. So Islamic banks should work to increase the satisfaction level of their clients to increase their clientele.

Public has different reasons to deal with the Islamic banks we have identified some of them. The result of the study showed that 63 % percent respondents strongly agree and 21.9 percent agreed that payment and receipt of interest is prohibited in Islam. With a mean of 4.370 and a Standard deviation of 1.0351, which shows people are aware of the prohibition of interest in Islam with a little bit of difference of opinion. 78.7 percent respondents believe that religious scholars created awareness about prohibition of interest, only 7.3 percent disagreed with it and 13.9 percent are neutral about it. With a mean of 4.028 and standard deviation of 0.9497, this shows that most of the respondents have a strong belief that religious scholars are trying to create awareness about prohibition of interest with a less dispersion. 53.6 percent respondents believe that shariah supervisory board is trusted highly among the public and 14.1 percent disagree with this statement. 32.3 percent respondents are neutral about this statement. 46.4 percent respondents agreed that the Islamic banks launch awareness program for the public, 21.5 percent respondents disagreed with this, and 32.1 percent people are neutral about it. With a

mean of 3.319 and standard deviation of 1.032. 79 percent of the respondents have belief that Islamic banking should be adopted for healthy and sustainable economy with a mean of 4.141 and standard deviation of 0.948. Results showed that 48.5 percent respondents agreed with the statement that Islamic banks offer higher returns based on halal income, 13.4 percent disagreed, and 38.1 percent are neutral about it. Generally, people think that Islamic banks are not offering high returns as compared to conventional banks. 68.3 percent people think that Islamic banking can provide ultimate solution to the financial problems in the economy, 8.1 percent disagreed, and 23.6 percent are neutral about it with a mean of 3.83 and standard deviation of 1. 55.4% respondents think that Islamic banks truly follow the spirit of Islamic financial system, 16.2 percent disagree, and 28.4 percent are neutral about it. 51.9 percent respondents believe that Islamic banks are contributing to raise the quality of life in the society, 14.6 percent disagreed with this statement and 33.5 percent respondents are neutral. Islamic banks are easily accessible 63.1 percent respondents are agreed with this, 13.2 are disagreed, and 23.8 percent are neutral about it with a means of 3.65. Results of Islamic banks provide a competitive range of products showed 51.2 percent are agreed with this statement, 12.5 percent are disagreed, and 36.3 are neutral about it. 50.6 percent respondents are agreed that Islamic banks compete in the banking industry based on their innovative products and performance, 16.6 percent respondents disagree with this statement with a average of 3.43. 32.8 percent respondents are neutral about it. "Islamic banks have good network of branches" for this statement 52.7 percent respondents agree with it, 18.9 percent disagree, and 28.4 percent are neutral. 61.4 percent respondents think that Islamic banks have ATMs machines available and operate very well, 10.4 percent disagree with it and 28.2 are neutral about it. Almost half of the respondents think that Islamic bank's staff is highly cooperative and efficient, 40.9 percent neutral, and 7.3 percent disagree with this statement.

Different questions were asked to assess the customer awareness level of Islamic Banking products which are being offered by different Islamic banks. For the current account product 38.8 percent respondents are neutral about it either they are not aware of this product, or they are not using it. 53.4 percent respondents are aware of this product being offered by Islamic banks. 44.3 percent respondents are neutral about the profit and loss sharing account offered by

the Islamic banks, 40.4 percent agree with this, and 9.5 percent disagree. For the product "Murabaha financing offered by Islamic banks" 47.1 percent are neutral about it, 40.4 percent agree with it and 6.7 percent disagree with an average of 3.30. for the product of Ijarah financing offered by Islamic banks, 46.7 percent neutral, 42.8 percent agreed, and 10.6 percent of the respondents disagreed with it. Diminishing Musharakah offered by Islamic banks, almost half of the respondents are neutral, and 37.2 percent agreed with it, means they have awareness about this product. 42.5 percent respondents have awareness about that the Islamic banks are offering Salam product, 12.3 percent disagreed, and 45.3 percent were neutral about it. 42.5 percent respondents have awareness about the Istisna product offered by the Islamic banks, 11.8 percent disagreed, and 46.9 percent were neutral about it with 3.34 mean average. 44.4 percent respondents have awareness about the Musharakah product offered by the Islamic banks, 11.1 percent do not have any awareness, and 44.6 percent were neutral about it with 3.40 mean average. 46 percent respondents have awareness about the Mudarabah product offered by the Islamic banks, 9.9 percent do not have any awareness, and 44.1 percent were neutral about it with 3.45 mean average. 45.7 percent respondents have awareness about the Sukuk (Islamic Bonds) offered by the Islamic banks, 13.4 percent do not have any awareness, and 40.9 percent were neutral about it with 3.39 mean average. 62.8 percent respondents are aware of the fact that Islamic banks are also offering ATM cards, 6 percent do not have any awareness, and 31.2 percent are neutral. 51.7 percent respondents are aware of the fact that Islamic banks are also offering remittance services like pay order/demand draft, 10.2 percent do not have any awareness, and 38.1 percent are neutral about it. 43.8 percent respondents are aware of the fact that Islamic banks are also offering letter of credit service to their clients, 11.1 percent do not have any awareness, and 45 percent are neutral about it.

Findings showed that majority of the respondents were neutral about the awareness level of the products offered by the Islamic banks. The reason can be they do not want to give their opinion on these products, or they are not aware of it. So, this awareness level needs to be increased.

Now coming to the findings of the reasons why people are not dealing with the Islamic banks. 39.5 percent respondents believe that the Islamic banks only use the name of Islam to get public attention, 33.9 percent disagreed with it, and 26.6 percent are

neutral about it. 35.6 percent respondents believe that Islamic banks offer the same products as that of conventional banks, 29.8 percent disagreed, and 34.6 percent neutral about it with 3.08 mean average. 25.2 percent respondents believe that Islamic banks offer the same returns as that of conventional bank's interest rate, 38.6 percent disagreed, and 36.3 percent neutral about it with 2.82 mean average.

13.7 percent respondents disagreed with the statement which is about the awareness program of the Islamic Banking institutions., 26.1 percent were neutral, 37.7 percent agreed with this statement. With a mean of 3.319 and standard deviation of 1.0319, this shows that on average respondents are indifferent about awareness programs of the Islamic Banking institutions with a comparatively high dispersion. It means Islamic Banks are launching limited awareness programs. Islamic banking institutions have to focus on this issue. To create awareness in the society Islamic banking institutions, have to launch awareness programs on large scale. 25.7 percent respondents believe that Islamic banks offer higher returns based on halal income, 13.7 percent respondents have strong believe on this, 31.0 percent respondents were neutral, and 8.6 percent were disagree with this statement. 3.834 mean showed that on average people are indifferent about this statement.

Statement about Islamic banking can provide ultimate solution to the financial problems in the economy. 22 percent respondents strongly agreed with this statement, 33.6 percent respondents agreed and 19.1 percent respondents were neutral. With a mean of 3.834 and standard deviation of 0.9839, it shows most of the people believe on Islamic banking institutions that they can provide ultimate solutions to financial problems in the economy. With a mean of 3.384, majority of the respondents believe that Islamic Banking institutions truly follow the spirit of Islamic financial system to stimulate economic activities in Pakistan.

Results of the study showed the public's awareness level of Islamic banking products being offered and their perception towards Islamic banking. Analyzing the results, Current account has major percentage of 43.4% of the respondents agreed that they have awareness about current account offered by the Islamic banks, (32.5% A and 10.9% SA) with standard deviation of 0.9222 showing lesser difference in opinion of people and overall, majority of people are aware about the Current account product. Moving on, profit and loss sharing account and Murabaha financing also show agreement to awareness more

than the disagreement of 32.8% (SA&A) and 32.9% (SA&A) respectively but is lesser than the neutral response of 36% and 38.3% respectively. This shows that although people agree to the awareness of these products but have not disclosed their opinions while standard deviation of these products is slightly higher than that of previous one showing a bit higher difference of opinion in awareness level of people.

As for Ijarah, Diminishing Musharka, Salam and istisna, the percentage of disagreement to awareness of these products is much lower than that of the agreement percentage but the neutral responses hold the significant portion out of which Diminishing Musharka retains the highest of 40% of neutral responses collectively showing that people are not well-aware of these products and can't fully agree or disagree to its enlightenment lacking the information about their benefits and usages.

In this, istisna has the lowest standard deviation of 0.8968 of all the other products showing lowest difference of public's opinion about awareness. While in Musharkah and Mudarbah, total of 9% respondents have shown disagreement (strongly disagree & disagree) to awareness of Musharkah with 36.1% of agreement which is almost equal to 36.2% of neutral awareness by audience who are less inclined to express their opinions and their awareness lies between two extremes reflecting insufficient information level. Moving towards Sukuk, an alternative to conventional bonds has a significant place in Islamic banking products.

According to the data, Sukuk has the increased standard deviation of 0.9950 showing more variance in public's opinion. For the rest of products as ATM cards, Demand Draft/ Pay Order and Letter of Credit (LOC), responses of improved awareness of 51.1% (18.8% SA+ 32.3% A) among these is of ATM cards as obvious by day-to-day use of this product by every class of society while second largest portion is still of neutral responses showing unwillingness of public to express their opinions donating a state of confusion whether they're fully aware about this product or not. While demand Draft has also an improved level of awareness by agreeing responses of 42% (strongly agree & agree) which is way greater than 8.3% (3.6% SDA and 4.7% DA) with neutral being 31%.

Contrastingly, LOC's agreed awareness responses hold total of 35.7% while neutral responses are of 36.6%. Hence, overall, it can be stated that Pakistan has relatively improved level of awareness than the complete unawareness. But this awareness level fluctuates with incomplete knowledge and

inadequate provision of information for users who are aware to some extent. People being totally unaware are in lesser percentages as compared to those who are aware. The neutral responses show that there's a major portion of the public having confusion whether they're fully known to these products or not. This portion of society being significant in number imposes the direct and visible impact on awareness level of Islamic banking products and services in Pakistan and reduces level of awareness overall.

Now, moving towards the mediating variable of Perception impacting awareness level either with positive or negative attitude towards patronization of Islamic banking products and its services. According to the data collected, different perceptions of public hold different percentages of perception level. For the statement that "Islamic Bank merely uses name of Islamic to get public attention", 27% people have shown their disagreement to this statement having positive perception while 32.1% (10.7 SA & 21.4% A) have shown agreement to this statement having negative perception while 21.6% people had neutral responses with standard deviation of 1.1804 and mean of 3.097. Overall, it means that more percentage of people have the perception that Islamic Banking only uses the name of Islam to gain more attraction with some being unexpressive of their opinions.

Moving on, non-trustworthiness of Sharia boards and Sharia supervisory gained 32.2% of disagreement showing that this certain portion of public's put their trust in Islamic Sharia board and committees by having positive perception unlike 17.3% (12.0%A&5.3%SA) who agreed to this statement. While 31.7% of the audience showed neutral responses reflecting their confusion whether to trust these institutions or not. Moreover, 28.9% respondents think that Islamic Banks offer same products as that of conventional with similar percentage of respondents not expressing their opinions either due to lower level of awareness or some other reasons while 24.2% believe that Islamic products differ from that of conventional.

A crucial question regarding prohibition of interest, interestingly and significantly 56.9% showed positive perception that prohibition of interest in Islam matters while patronizing any banking system depicting that Islamic factor still holds significance while evaluating public's perceptions towards usage of Islamic banking products and services while total of 9.2% showed the negative perception declaring that materiality of prohibition of interest is not considerable for them. For the returns in Islamic

Banks, 37% showed neutral responses based upon their incomplete information and awareness while total 22.4% showed assurance of returns in Islam banks with almost similar percentage of people agreeing with its non-assurance and 31.4% believed differing of returns of Islamic Banks from that of conventional while 20.4% responded opposite to it.

Towards range of services provided by Islamic Banks as compared to conventional, are considered as small ranged by 28.9% (4.9 SA&24% A) creating negative perception and are considered enough by 15.7% (SA&A) concocting positive perception with 34.9% being neutral in their perception. Analyzing public's preference to deal with Islamic banking branches of conventional banks, 15.7% (4.1% SDA&11.6% DA) of respondents disagreed with this while 30.6% agreed with this out of which 4.1% strongly agreed and 34.9% were neutral. It means that more percentage of people prefer to use Islamic banking branches of conventional banks indicating negative impact on patronization and growth of Islamic Banks other than those who didn't showed their opinions.

For contribution of conventional banks towards society's welfare and qualification of their staff, 23.9% disagreed towards more contribution of conventional banks towards society possessing positive perception while 25% overall agreed to their contribution while 32.5% were neutral means they were perplexed, not being able to decide maybe because of lesser interaction and awareness towards practicing these products and services. As for qualification of conventional bank's staff and their transaction efficiency, 37.3% believe that conventional banks staff is more well trained and qualified than that of Islamic out of which 9% strongly agreed with negatively developed attitude while 15.8% disagreed to this and 28% remained neutral, all this showing an overall greater negative perception than positive and for transaction efficiency, 34.6% showed their agreement that conventional banks have more effective transactions than Islamic Banks with 8.6% strongly agreed and 15.8% being disagreed (3.8% SDA& 15%A) and 32.6% remained unable to decide among one.

ATM service of Islamic Banks in considered to be out of cash by 11.5% (8.1%A&3.4%SA) in contrast to 35.5% out of which 6.8% strongly agreed for ATM machines to be full of cash with positive attitude. Lower services charges of conventional banks are agreed 17.8%, disagreed by 23.3% and neutralized by 40.3% which is a significant percentage and depicts level of awareness among people. This reflects a

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more positive perception than those who disagreed. Islamic Banks are considered small sized than that of conventional by 38.6% with 9.9% being strongly agreed, 11.3% disagreed and 31.3% neutral. It means that negative perception of people developed by experiencing small sized banks of Islamic Banks than conventional ones probably because of their experiences after visiting Islamic bank's branches and neutral ones are higher with no opinions probably because they scarcely visited any Islamic bank branch. The last one of Islamic Banks having smaller networks and location problem, got 41.9% agreement of public with 11.1% strongly agreed, 10.7% disagreed and 28.7% neutral. This shows greater negative impact by negatively developed perception of 41% which can be due to their visiting experience, lesser accessibility etc. overall reducing the growth of Islamic banking by making it a secondary option. Hence, altogether it can be concluded that overall perception of public out 100%, stood out to be lesser than 50% which means in many perspective people have developed negative perceptions towards Islamic banking workings. Although, there are percentages with positive impact as well, but the numbers of neutrals not expressing their opinions is higher which shows lesser level of knowledge, practice and interaction with Islamic banking products and services.

Now, moving towards the future potential of Islamic banks in Pakistan the results of study showed that 62.8 percent respondents agreed that Islamic banks have potential growth in Pakistan, 13.7 percent respondents are neutral and 4.7 percent disagreed with this statement with a mean of 3.982 and standard deviation of 0.9127. standard deviation showed less dispersion among the people opinion. 62.9 percent respondents agreed to that the demand for Islamic bank products will increase with increase in the awareness level of public, 12.9 percent are neutral and 5.5 percent are disagreed with this statement. Standards deviation of 0.9547 showed lesser difference of opinion. This shows that there is a strong need to increase the perception level of the public about Islamic banking products. 64.1 percent people agreed that Improvement in perception of public will increase the demand for Islamic products, 12.4 percent respondents are neutral about their responses, 4.7 percent are disagreed to this statement. 55.2 percent respondents agree that government and concerned authorities are not focusing on growth of Islamic banks as it's the need of the hour, 20.3 percent respondents are still confused about it and 5.9 percent respondents disagreed to this with 0.9582

standard deviation showed less difference of opinion. Public opinion about the future potential is very positive majority of the respondents agreed that awareness level will definitely increase the future potential of the Islamic banking in Pakistan.

Regression Results and Interpretation

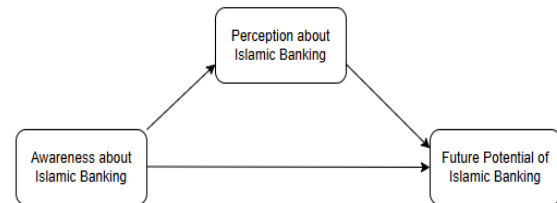


Figure 1 Research Model

H1: Perception about Islamic banks mediates the effect of awareness about Islamic banking on future potential about Islamic banks in such a way that public with positive perception will enhance the future potential.

Step 1: (Y on X)

H₀₁: There is no significant impact of awareness about Islamic banking on future potential of Islamic banking.

H_{A1}: There is a significant impact of awareness about Islamic banking on future potential of Islamic banking.

Future potential of Islamic banking	Coefficient	T-statistics	p-value	R ²	Adjusted R ²	F ratio
Constant	2.516	13.734	.000	.134	.132	66.537
Awareness about Islamic banking	.428	8.157	.000			

The above table shows that the R² value of 0.134 which indicates that about 13.4% of the variation in the value of future potential is represented by the awareness about Islamic banking. The beta (β) value of constant is 2.516, which shows that if awareness held zero then the future potential of Islamic banking remains at 2.516. the significance value of constant is p=0.000, specify that the constant is significance. Furthermore, there is a significant relationship between awareness and future potential as the p value is 0.000 which is less than significant level of study i.e. 0.05 and hence null hypothesis is rejected.

Therefore, there is a direct link between the dependent and independent variables.

Step 2: (M on X)

H₀₂: *There is no significant impact of awareness about Islamic banking on perception about Islamic banking.*

H_{A2}: *There is a significant impact of awareness about Islamic banking on perception about Islamic banking.*

Perception of Islamic banking	Coefficient	T-statistics	p-value	R ²	Adjusted R ²	F ratio
Constant	2.526	31.509	.000	.197	.195	105.410
Awareness about Islamic banking	.236	10.267	.000			

The above table shows that the R² value of 0.197 which indicates that about 19.7% of the variation in the value of Perception of Islamic Banking is represented by the awareness about Islamic banking. The beta (β) value of constant is 2.526, which shows that if awareness held zero then the perception of Islamic banking remain at 2.516. the significance value of constant is p=0.000, specify that the constant is significance. Furthermore, there is a significant relationship between awareness and perception of Islamic Banking as the p value is 0.000 which is less than significant level of study i.e. 0.05 and hence null hypothesis is rejected. Therefore, there is a direct link between the dependent and independent variables.

Step 3: (Y on M)

H₀₃: *There is no significant impact of perception about Islamic banking on future potential of Islamic banking.*

H_{A3}: *There is a significant impact of perception about Islamic banking on future potential of Islamic banking.*

Future potential of Islamic banking	Coefficient	T-statistics	p-value	R ²	Adjusted R ²	F ratio
Constant	1.597	4.750	.000	.106	.104	50.910
Perception about Islamic banking	.715	7.135	.000			

The above table shows that the R² value of 0.106 shows that about 10.6% of the variation in the value of Perception about Islamic Banking is represented by the Future potential of Islamic banking. The beta (β) value of constant is 1.597, which shows that if perception about Islamic Banking held zero then the Future potential of Islamic Banking remain at 2.516. the significance value of constant is p=0.000, specify that the constant is significance. Furthermore, there is a significant relationship between perception about Islamic Banking and Future potential of Islamic Banking as the p value is 0.000 which is less than significant level of study i.e. 0.05 and hence null hypothesis is rejected. Therefore, there is a direct link between the dependent and independent variables.

Step 4: (Y on X & M)

H₀₄: *There is no mediating role of perception about Islamic banking on relationship between awareness and future potential of Islamic banking.*

H_{A4}: *There is a mediating role of perception about Islamic banking on relationship between awareness and future potential of Islamic banking.*

Future potential of Islamic banking	Coefficient	T-statistics	p-value	R ²	Adjusted R ²	F ratio
Constant	1.389	4.248	.000	.167	.163	43.031
Awareness about Islamic banking	.446	4.129	.000			
Perception about Islamic banking	.323	5.616	.000			

The above table shows that the R² value of 0.167 shows that about 16.7% of the variation in the value of Future potential of Islamic Banking is represented by perception and awareness. The beta (β) value of constant is 1.389, which shows that if perception and awareness about Islamic Banking held zero then the Future potential of Islamic Banking remain at 1.389.

the significance value of constant is $p=0.000$, specify that the constant is significance. Furthermore, there is a significant direct positive relationship of awareness with Future potential of Islamic Banking ($\beta = 0.446$, $p = 0.000$), and significant direct positive relationship also exists between perception and future potential of Islamic Banking ($\beta = 0.323$, $p = 0.000$). The Sobel test is performed to ensure whether the indirect effect of independent variable on dependent variable via mediator is significantly different from 0. The test statistic (3.831) is significant at $p < 0.05$, indicating that the indirect effect is statistically significant which confirms that the perception about Islamic banking significantly contributes to the relationship between awareness and the future potential of Islamic banking as mediator.

CONCLUSION

Purpose of the study was to explore the awareness level of public and their perception about Islamic banks in Pakistan. Findings of the study people are aware of the religious perspective of the prohibition of the interest but the majority of them are not using Islamic banking products and services due to the less awareness level. People believe that religious scholar are trying to create awareness about the religious perspective but Islamic banks are launching limited awareness programs. Islamic banking institutions have to focus on this issue. To create awareness in the society Islamic banking institutions, have to launch awareness programs on larger scale.

Hence, it can be stated that Pakistan has relatively improved level of awareness than the complete unawareness. But this awareness level fluctuates with incomplete knowledge and inadequate provision of information for users who are aware to some extent. People being totally unaware are in lesser percentages as compared to those who are aware. The neutral responses show that there's a major portion of the public having confusion whether they're fully known to these products or not. This portion of society being significant in number imposes the direct and visible impact on awareness level of Islamic banking products and services in Pakistan and reduces level of awareness overall. Study showed that by increasing the awareness level of the public will increase the future potential of Islamic banks in Pakistan.

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