

Products Excellence From Customer Perception: Comparative Analysis Between Islamic and Conventional Bank

Esmat Kazmi, Muhammad Jamil

University of Azad Jammu & Kashmir, Muzaffarabad, Pakistan

The primary purpose of this study was to articulate the literature of Islamic banking in Muzaffarabad, AJK by investigating the influence of the level of perception, understanding, and usage of Islamic banking products and services on the satisfaction level of its account holders. The present study targets to highlight the relationship between products excellence and customer perception. Products excellence and customer perception of prominent Islamic and conventional banks in Muzaffarabad are analyzed through comparative analysis. The quantitative data were collected from different Islamic and conventional bank customers through random sampling using self-administrated questionnaire. A sample of 267 respondents from different regions of Muzaffarabad was selected. For the analysis, the descriptive statistics was adopted to check the relationship between demographic variables and perception. The findings of the study exposed that Islamic bank customers had better products excellence perception and were more satisfied towards the provided services compared to conventional bank customers. Islamic bank customers supposed tangibles and assurance as the most significant components of an exceptional products excellence whereas conventional bank customers perceived assurance and modernization as the most significant components of products. There are certain limitations accompanying with this study such as small sample size and data collection in specific geographical locations. This study has various concrete suggestions for professional bankers, financiers, regulators, and policy makers. The regulators and policy makers of Islamic and conventional banks may contrivance the findings of this study to improve customer perception through better excellence declaration. The study has significantly contributed towards the knowledge on service quality and customer perception particularly in context of Muzaffarabad.

Keywords: Islamic banks, conventional banks, financial practices, public perception, Muzaffarabad

Introduction

Pakistani banking sector has perceived extreme fluctuations over a period of 75 years since its independence. Primarily it agonized from a severe deficiency of capitals and indecision due to dominant political and socioeconomic conditions. Pakistani banking sector qualified an enlargement in its network, size, and structure due to beautiful unification of commercial banks, micro finance institutions, and Islamic banks in all parts of the country. It resulted into an increased competition among banks to attract a greater number of customers by the provision of quality services for long-standing reimbursements.

Esmat Kazmi, student, Islamic Economy and Banking, University of Azad Jammu & Kashmir, Muzaffarabad, Pakistan.

Muhammad Jamil, Ph.D., professor, Kashmir Institute of Economics, University of Azad Jammu & Kashmir, Muzaffarabad, Pakistan.

Correspondence concerning this article should be addressed to Esmat Kazmi, University of Azad Jammu & Kashmir, Muzaffarabad, AJK, Pakistan.

Financial intermediation is an insidious characteristic of all world economies. It is a process of channeling funds or financial resources from surplus units of the economy to deficit spending units of the economy. Islamic banks, like their western or conventional counterparts, are in the business of financial intermediation and running also for the profit motive.

The banking industry plays an important role in economic development. Banking activities are very important for a healthy economy. The century expanded commercial and business activities from large-scale establishment product. Banking has gained importance as a necessary facility to promote business operation. In today's global and borderless market, product/service and customer quality satisfaction improve the performance of banks for successful survival.

There are dual foremost banking systems in Pakistan, explicitly Islamic banking and traditional banking or conventional banking. Islamic bank (IB) and traditional bank (TB) or conventional bank (CB) can be differentiated by their objectives; Riba and risk sharing vary based on practice. IB follows Shariah principle provided by Almighty Allah while CB follows the man-made Rules CB earns from fixed interest while generating income in the form of variable profit. In IB the risk is shared between the lender, the borrower, and the bank, while in CB the total risk is transferred to others; while IB is a business-based entity, CB acts as a pure financial intermediary interest based transaction.

The Islamic Banking System was introduced in the 20th century quarter, though the concept of the Islamic Banking System is old. Islamic Banking System (IBS) was introduced there for a reason financial institution required for Muslim clients. It can meet their needs and demands. On what does the traditional banking industry depend entirely? Interest based system is forbidden in Islamic Sharia rules. So Muslims need an organization provides them an Islamic platform for their finances transaction.

Islamic finance is financially defined implemented primarily for compliance with a service or product. The main sources of Shariah are the Holy Quran, Hadith, Ijma, Qiyas, and Ijtihad. IBS is based entirely on Islamic Sharia concept, which excludes the factor of interest. We have seen it for the last two decades growing the practicality of Islamic banking. Islamic banks have continued to grow in size and in numbers. The main objective of these banks is social and economic success. Development through financial distribution services is in accordance with principles and teachings of Islam.

In other words, Islamic banks like their conventional counterparts are financial intermediaries, managers, and administrators of people's money or financial assets. They are market driven but ethical and moral dimensions that are based on the Islamic dictates of Shariah, which prohibits the receipt and/or payment of interest, but rather advocates participatory profit-loss sharing banking. Islamic banking, also known as interest-free banking, is not the only type of banking that is based on profit and loss sharing or the one that operates on an interest-free basis but is the only one that is most developed and has international acceptance. Although Islamic banking is based on Islamic religious law, it is not a religious bank which is limited to people of any religion or creed as many people mistakenly imagine. Her products and services are universally accessible to all individuals of all races and creeds who desire or aspire to lead financial transactions that are interest-free and that are in accordance with the principles of Islamic Shariah law. A key element in this banking system is the interest-free rule, which means that users of products or services Islamic banks cannot earn or pay interest on loans because the principle on which this system of banking is based is established to prohibit any predetermined interest in business dealings. Second, all forms of investment must be made for legally and morally sanctioned

reasons. It therefore requires that every activity or transaction that Islamic banks will do must be scrutinized through legal and moral filters to determine their worth businesses and/or whether they are based on the principles of Islamic Sharia law. This is no different from the conventional notion of ethical investing or social responsibility.

The major stride in the direction of the enactment of IBS in Pakistan was taken when the State Bank of Pakistan was formed in 1980. Customers are one's primary source of income industry. Conventional Banking System (CBS) is an interest based banking system. It gives bail to its customer about its return on investment. CBS sets its market much earlier, because it was introduced on CBS founded in the middle of the 16th century and five centuries are a very long time in any industry. This definitely suggests competing with IBS & CBS.

An important point regarding a client's inclination towards the Islamic Banking System is to know what the client's goals are when deciding to adopt an Islamic Banking System. According to the Islamic banking philosophy, Islamic banks differ from traditional banks in that they essentially conduct transactions.

Objectives

- to examine the perception of customers towards Islamic banking in Islamic banks and conventional banks products.
- to estimate the differences of perception regarding Islamic banking between customers of Islamic banks and non-customers of Islamic banks.
- to estimate the effects of economic, socio-economic, and demographic variables on customers' perception regarding Islamic banking and conventional banks.
- to estimate the effect of religiosity of the individuals on their perception regarding the Islamic banking.
- To investigate the perception of customers in Islamic banks and conventional banks towards the future potential of Islamic banking in Pakistan.

The reminder of the paper is structured as follows: The next segment comprises a review of literature that is relevant to the topic of the study including perception towards Islamic banking and bank assortment standards. Section three climaxes the research design and methodology. It describes the stages and the elements of the research processes, focusing on the primary data collection methodology and the techniques of analysis. Section four contains data analysis and discussions on the findings of the study. Section five as the finishing section conveys the summary of the inclusive key outcomes, the inference drawn, the margins, policy recommendations for authorities, implications of the findings as well as recommendations for future researchers.

Review of Literature

In the same perspective, Iqbal (2001) accompanied a study on Islamic and conventional banks. It has 12 banks in its study model comparing Islamic and traditional banking in the 1990s. The author deliberates on the development of the Islamic banking industry during 1990-1998 to the extent of the yearly growth rate for some key variables of Islamic banks such as total equity, total deposits, total investments, total assets, and total income. Although the Profit Ratio (PR) of Islamic banks is in line with international criteria, they conclude that the depositors of traditional banks assurance their principal amount and therefore less risk than the depositors of Islamic banks. It happens. Therefore, depositors of Islamic banks expect higher returns to offset the supplementary loss.

Iqbal and Mirakhor (2007, pp. 297-312) defined Islamic bank in the subsequent words: “Islamic Bank is a deposit-taking banking entity whose activities cover all known banking activities except interest-based lending. On the liability side, it is a Mudraba or Lawyer (Agent) Agreement”. It raises funds on an asset-side basis. It can also admit demand deposits from customers which are considered interest-free advances to the bank. On the property side, it is based on profit-loss sharing or loan-creation, according to the Shariah Move Funds Principles. In addition, with equity capital as well as commodity and asset trading Islamic banking activities, an Islamic bank stocks its net income with its depositors on a maturity basis from each deposit size and date.

Ringim (2013) conducted a study on the “Perception of Nigerian Muslim Account Holders in Conventional Banks Toward Islamic Banking Products”. Personal awareness factor is organized in the form of opinions or observations that can encouragement customer’s decision to protect Islamic banking products and services. Field level survey was conducted and sample was prepared Proportional Stratified Simple Random Sampling technique. For data analysis it uses SPSS and PLS modeling software. Concluding results are: Islamic banks have the ability to tap and market different categories of clients. Moving forward from those concerned with the legitimacy of the feature, those seek Islamic approach and quality, convenience and effective service transaction.

Moreover, Khafafa and Shafii (2013) conducted a study on the “Customer Satisfaction and Islamic Banking Awareness in the Islamic Banking Window System in Libya”. This study examines the level of awareness of Libyan consumers on various Islamic products such as understanding of the main concepts of banking services such as Mudarbah, Musharkah, Murabah, Ijarah. The scholar used Cronbach Alpha to measure the dependability questionnaire. Studies have shown that there is a positive and significant relationship between the constructs of customer satisfaction and quality of service such as clarity, responsiveness, assurance and responsiveness, with the exclusion that the consistency parameter has no effect on the customer satisfaction.

In addition, Belwal and Maqbal (2018) piloted a study on the “A Study of Customers’ Perception of Islamic Banking in Oman”. This study objected to evaluate consumer perceptions about Islamic banks and IB windows in Oman. Subsequent semantic patterns and investigative study design, data together through personal interviews are with a group of 60 respondents from two of the pioneers. The study originated that Oman customers had mixed feelings about Islamic banks. When some of them were not sure whether the banks adhered to Islamic principles, most of them did not open a bank account. This study exposed some weaknesses in the areas of staff knowledge of their operations, marketing performs, products and customer-transactions.

Contech and Hassan (2021) conducted a study on the “An Analysis of Public Perception of Islamic Banking in the Gambia”. This paper seeks to analyze the assumptions Gambian masses towards Islamic banking. Sample size of 459 respondents collected by questionnaire surveys was used to collect research data and the method was adopted quantitative with descriptive-co-inventor research design. SPSS Version 25 and Microsoft Excel 2010 were used to analyze the data.

Research Method

In this research the sample size was 267; respondents were selected from different banks. The questionnaire was disseminated to different Islamic bank customers who visited different branches at different official times to minimize the possibility of bias. These questionnaires were delivered to customers visiting the bank as a walk-in to deposit, withdraw, use an ATM, or get feedback in the same place to maximize the response rate of respondents. Random sampling was used in this study. The respondents are the customers of HBL, Faysal Bank, Bank Al-

habib Limited, Allied Bank, JS Bank, National Bank, Bank of Azad Jammu & Kashmir, MCB, Alfiah Bank, Meezan Bank, UBL, Summit Bank, Bank Islami.

The basic query that was tried to be resolved was “to know about the perception of customers and the reasons behind dealing with Islamic banking of the Pakistani customers towards Islamic Banking System”. In order to resolve this query, a survey was conducted in the Muzaffarabad major areas by distributing and filling questionnaire from the respondent.

Results and Discussion

Demographic Variables

In the demographic section, we estimated the results of respondents’ various characteristics such as age, gender, family type, marital status, number of dependents, and total family members in the household. We used descriptive statistics for measuring the frequency and percentage by using Stata 14 in our research.

Gender. “For this variable, we identify how males and females responded to the awareness & perception about Islamic banking. We defined, more than half of the males responded in the research but awareness of females is more about Islamic banking than males”.

Age. “This variable included describing the age groups of the sample size and all statistical details about this variable described in data of this chapter”.

Family type. “This variable includes in the research to investigate the respondent’s awareness & perception about Islamic banking and relationship with the family type such as nuclear family, joint family or extended family”.

Marital status. “This variable is binary and shows whether respondents are married or not. We can observe in the analysis that people who are married are more aware of Islamic banking than the once who are single”.

Socio-Economic Variables

Social variables are defined as social factors with an influence on dependent variable variation. Social variables are the respondent’s education and the education of the respondent’s parents. For checking the religiosity of the respondent we have taken some variables such as the religion of the respondent, how frequently they offer prayers, are they observe fasts in Ramadan, the performance of Hajj & Umrah of respondents as well as their parents, reading of Quran with translation, religious education, and study of religious books, payment of zakat.

Economic Variables

Economic variables are those variables that can be measured to describe the economic units and their impacts. We take some economic variables in our research such as profession, monthly income, household income, and assets of the respondents.

Banking Variable

We take some bank-related variables to check their relationship to the awareness and perception of the customers. Are respondents using a bank and for what purpose do they use a bank and which bank they used? How satisfied with the bank, any of their family member working in the bank? Are they aware of where the bank utilizes the funds, and how explicitly they understand the term “Riba”?

Table 1
Demographic Characteristics of Respondents

		Freq.	Percentage
Gender	Male	182	68%
	Female	85	32%
Age	18 to 30 years	228	85%
	31 to 40 years	26	10%
	41 to 50 years	7	3%
	51 to 60 years	3	1%
	More than 60 years	1	1%
Family type	Nuclear	79	29%
	Joint	168	63%
	Extended	13	5%
	Not responded	7	3%
Marital status	0	200	75%
	1	66	25%

Table 2
Educational of Respondents and Parents of Respondents

		Freq.	Percent
Education of the respondents	Primary	2	1%
	Middle	13	5%
	High	3	1%
	Fa/FSc	36	13%
	Graduate	103	39%
	Masters	106	40%
	Ph.D.	1	1%
Education of the respondents' parents	Primary	20	7%
	Middle	9	3%
	High	16	10%
	Fa/FSc	21	8%
	Graduate	36	13%
	Masters	105	39%
	Ph.D.	6	2%
Total		267	100.00

Table 3
Religious Activities Information of the Respondents

		Freq.	Percent
Religion	Islam	264	99%
	Christianity	3	1%
How frequently do you offer prayers?	Regularly (5 times)	176	66%
	Sometimes	79	30%
	Weekly	6	2%
	Others	4	2%
Do you observe fasts in Ramadan?	Regularly	204	76%
	Sometimes	44	16%
	Weekly	2	1%
	Others	3	1%

Table 3 to be continued

Performance of Hajj by respondents	No	231	87%
	Yes	35	13%
Performance of Umrah by respondents	No	235	88%
	Yes	30	11%
Have you ever read Quran with translation?	No	107	40%
	Yes	159	60%
Do you pay zakat?	No	131	49%
	Yes	133	50%
Do you study religious books?	No	48	18%
	Yes	214	80%
How often do you recite the Quran?	Regularly (5 times)	119	45%
	Sometimes	114	43%
	Weekly	22	8%
	Never	2	0.75%
	Others	5	2%

Table 4

Economic Variables Related to Respondents

		Percent
What is your profession?	Student	33%
	Government employee	34%
	Professional	12%
	Business	3%
	Farmer	9%
	Other	4%
	Not responded	6%
What assets do you have?	House shop	0.486
	Vehicle	0.494
	Agriculture land	0.445
	Shares/investment	0.346
Total		100.00

Table 5

Bank Related Information of Clients

		Freq.	Percent
Do you use a bank?	No	88	33%
	Yes	179	67%
How satisfied are you with your bank?	Highly satisfied	43	24%
	Satisfied	21	12%
	Neither satisfied nor dissatisfied	27	15%
	Dissatisfied	25	14%
Are you aware of where the bank is utilizing the funds?	Fully unaware	56	32%
	Unaware	22	13%
	Neither aware nor unaware	27	15%
	Aware	19	11%
Any of your family members working in a bank?	No	209	78%
	Yes	54	20%
Total		267	100.00

Table 6

Descriptive Analysis of Perception of Customers About Islamic Banking Comparison With Conventional Banking

No. Question	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree	Mean	Std. Dev.
1 "Islamic Banking System was introduced because Muslims were prohibited from receiving interest".	29.32	17.29	9.77	30.08	13.53	2.81	1.47
2 "Islamic bank operates under Shariah compliance and strictly follow Shariah Law".	20.60	19.10	22.10	29.96	7.87	2.85	1.27
3 "I consider the profit of the banking transaction before dealing with the bank".	17.60	28.46	22.85	25.47	5.24	2.72	1.18
4 "In operation of the Islamic banking, profit and loss sharing principle is the only principle that can replace interest".	13.48	23.60	27.34	26.97	8.24	2.92	1.17
5 "By associating themselves with Islamic banks people will become more ethical in their values".	14.98	20.22	22.10	28.46	13.86	3.06	1.28
6 "Islamic banking products and services available in the Pakistan are similar to products and services of conventional banks, except the different names used by the bank in highlighting those products".	16.48	20.22	32.58	22.10	8.24	2.85	1.84
7 "Islamic banking is about unique quality of products and services they provide and not about competing on price".	24.34	21.35	26.97	22.10	4.49	2.68	1.69
8 "There is high potential for Islamic banking products in Pakistan".	25.09	23.60	16.85	24.34	9.74	2.70	1.34
9 "Islamic banks could provide lower cost products and services compared to conventional banking".	16.85	29.96	21.72	23.97	7.12	2.74	1.20
10 "Conventional banks charge more than the Islamic banks".	18.35	23.22	26.22	23.22	8.16	2.80	1.23
11 "Enough marketing is done to create awareness about Islamic products and services in Pakistan".	22.10	23.97	22.47	22.85	8.24	2.71	1.27
12 "Islamic banks goal is not only limited to maximization of shareholders wealth but also includes enhancement of standard of living and welfare of society".	19.85	18.73	26.97	25.47	8.24	2.85	1.26
13 "Conventional banks can contribute more to social balance, prosperity and welfare (sustainable development)".	23.22	19.48	22.10	26.97	7.87	2.77	1.30
14 "Conventional banks use more modern technology (Online banking, ATMs, etc.) as compared to Islamic banks".	20.97	26.22	17.60	25.09	9.74	2.76	1.30
15 "Conventional banks pay the higher returns as compared to Islamic BANKS".	16.48	22.85	22.10	25.09	13.11	2.95	1.29
16 "Conventional banks pay the reliable as compared to Islamic banks".	20.22	19.48	27.34	24.72	7.87	2.80	1.24
17 "Conventional banks concentrate more on the advertisement/promotional activities as compared to Islamic banks".	17.23	23.60	23.22	24.72	10.49	2.88	1.26
18 "Islamic and conventional banks are complete substitutes for each other".	28.09	19.85	27.34	17.23	6.74	0.11	0.31

Table shows the result calculated using descriptive statistics. Projects of the perceptions of the participants regarding the study through a questionnaire distributed to them by the researchers of the study and the results are derived using descriptive statistics. The questions may be different from the ones used in questionnaires that are because to avoid plagiarism. The majority of the participants agree with the questions asked in this study.

13.53 percent of the participants of the study strongly agree with the view that the reason behind the introduction of the Islamic Banking System was the prohibition of interest in Islam which is practiced by the Conventional Banking System and 30.08 percent of the participants also agree with that view. Only 19.77 percent of the participants neither agree nor disagree view which means less number of participants were not aware of the introduction of Islamic banking. 17.29 percent of the participants of the study disagreed with this view and

29.32 percent of them strongly disagreed with this view. The mean value of 2.81 and lower standard deviation value which is 1.47 explain that an average number of participants agree that the main point behind the introduction of Islamic banks was the prohibition of interest; it means that they think there were some other reasons too behind the introduction of Islamic banks and there may be a reason that they do not have the idea of differentiating between Islamic banks and conventional banks; these results are also in line with therefore that Islamic banks need to give more awareness to the public so that the misconceptions in their minds can be cleared.

The second question on which the participants were asked to give their opinion was whether the operations of Islamic banks are under Shariah compliance or not. Only 7.87 percent strongly agree response was received from the participants and 29.96 percent of the participants agreed to the concept while 22.10 percent of the audience neither agree nor disagree with this concept; 19.10 percent of the participants disagreed with the concept while only 20.60 percent strongly oppose the idea. The mean value of 2.85 and a lower standard deviation value of 1.27 explain the strong response from the participants regarding the practice of Islamic banks. It means that most of the public is aware of the practice of Islamic banks regarding Shariah compliance.

In the third statement, only 25.47 percent of the participants agreed to the concept that Islamic banks can only remove interest through the profit and loss sharing principle and a greater number of participants disagreed this concept; the percentage of participants in this view is 28.46 percent. 22.85 percent of the participants have remained neutral to this concept and 17.60 percent of the participants strongly disagreed with the concept while none of the participants strongly oppose the statement. The higher mean value of 2.72 and a lower value of standard deviation which is 1.18 explain that a strong positive response among the participants has been reached in this concept. This means that most of the public is aware of this concept but still, some awareness is needed to be raised to the public so that they can understand the basics of Islamic banks.

The fourth statement of the study asked about the profit and loss sharing principle is the only principle that can replace interest in case of associating with Islamic banks in which only 8.24 percent of the public is of the strongly agreed opinion and 26.97 percent of the participants agreed to the statement while 27.34 percent of the participants have remained neutral on this concept; this may be because they are not fully aware of the principles of Islamic banks. On the opposite side, 13.48 percent of the participants disagreed with this concept and none of them strongly disagreed with this concept. The higher mean value of 2.72 and a relatively lower standard deviation value of 1.18 explain that the participants have reached a standard consensus on this concept.

The fifth question is about the ethics of Islamic banks. Only 13.86 percent of the respondents strongly agreed with the statement, 28.46 percent of the respondents agreed to this concept, 22.10 of the respondents have remained no idea about this statement, 20.22 respondents disagree form this statement, and only 14.98 of the respondents strongly disagree view. A higher mean value of 3.06 and a relatively lower standard deviation of 1.28 explain that the standard concept reached among respondents.

The sixth question of the study asked about the product and services of Islamic banks in relevance to the conventional banks in Pakistan. 8.24 percent of the participants strongly agreed with the statement that there is no difference between the product and services of Islamic banks and 22.10 percent of the participants agreed with this concept. 32.58 percent of the participants have remained neutral in this statement while 120.22 percent of the participants opposed this concept and 16.48 percent strongly opposed this concept. A higher mean value of 2.85 and a relatively lower standard deviation value of 1.84 explain that a standard concept is reached among participants. This means that participants of the study have less understanding of the services and practices of

Islamic banks and there is a need for educating them about the product and services which are offered by Islamic banks as compared to conventional banks.

In the seventh statement, the researchers asked that Islamic banks offer a unique quality of product and services rather than competing in price and only 4.49 percent of the participants strongly agreed to this statement while 22.10 percent of the participants also agreed to this statement and the majority of participants who have remained neutral were 26.97 percent. The number of participants who oppose this statement is 24.34 percent and none of them strongly oppose this. The higher mean value of 2.68 and a lower standard deviation value of 1.69 show that a strong consensus is among the participant on this statement.

In the eighth statement of the study, the researchers asked about the potential of Islamic banking in Pakistan and whether it is high or not. Only 9.74 percent of people in the study strongly agreed with this statement and 24.34 percent agreed with it too while 16.85 percent of the respondents have remained neutral on this statement. 25.09 percent of the people disagreed with this statement and 23.60 percent of the people strongly disagreed with this statement. The high mean value of 2.70 and a lower standard deviation value of 1.34 mean that participants agreed with this statement.

In the ninth statement of the study, the researchers asked the participants' views about the lower cost products and services compared to conventional banking in which 7.12 percent of the people strongly agreed to this perception and 23.97 percent of participants also agreed on this concept which is a high percentage. 21.72 percent of the participants have remained neutral on this statement and none of them disagree or strongly disagree with this statement. The mean value of 2.74 and a relatively smaller value of standard deviation which is 1.20 mean that the participants have an average view of this statement.

In Statement No. 10, results show that the views about conventional banks charge more than Islamic banks. 8.16 percent of the respondents strongly agreed that conventional banks charge more than Islamic banks. 23.22 percent of respondents also agreed to this concept. The majority of the respondents have remained neutral about this statement. Only 18.35 percent of the respondents strongly disagreed with this statement and 23.22 percent also disagree opinion. The mean value of 2.80 and a relatively smaller value of standard deviation which is 1.23 mean that the participant has an average view of this statement.

In the 11th statement, participants responded to the marketing of Islamic banks in Pakistan. 8.24 percent of the participants strongly agreed that the marketing of Islamic banking till now is enough to create awareness about the products and services of Islamic banks in Pakistan and 22.85 percent of the participants also agreed to this concept while 22.47 percent of the participants have remained neutral on this point. On the opposite side, 23.97 percent of the participant do not agree with this point and 22.10 percent strongly disagreed with this statement. The higher mean value of 2.71 and a relatively lower standard deviation value of 1.27 mean that participants strongly disagreed with this statement.

In the 12th statement of this study, the researchers asked about the goal of Islamic banks in which 8.24 percent of the participants strongly agreed with the statement and 25.47 percent of the participants also agreed with this statement. 26.97 percent of the participants have remained neutral on this statement while 18.73 percent of the participant disagreed with this question and only 19.85 percent of the participants strongly disagreed with the statement that shareholders' wealth maximization is not the only goal of Islamic banks but enhancement of the standard of living and welfare of the society is also the goal of Islamic banks. A higher mean value of 2.85 and a lower standard deviation value of 1.26 mean that the participants have a stronger view of this statement.

Statement 13 is that conventional banks can contribute more to social balance, prosperity, and welfare (sustainable development). Only 7.87 percent of the respondents have an opinion of strongly agree about this statement and also 26.96 percent of the respondents agreed. Some of the respondents still have no idea and information which is 22.10 percent. On the opposite side, only 19.48 percent of the respondents disagree and 23.22 percent strongly disagree. A higher mean value of 2.77 and a lower 1.30 standard deviation show the average perception of the respondents.

In the 14th statement participant responded conventional banks use more modern technology (online banking, ATMs, etc.) as compared to Islamic banks. Few respondents strongly agree with this statement which is 9.74 percent of the respondents and also 25.09 percent of the respondents agreed. Only 17.60 respondents are neutral and no idea; on the opposite side majority of the respondents disagreed with this view which is 26.22 percent of the respondents and 20.97 percent of the respondents strongly disagreed from the statement. A higher mean value of 2.76 and a lower standard deviation of 1.30 give comprehensive results that the perception of this statement is average.

The 15th question of the study asked about conventional banks paying higher returns as compared to Islamic Banks. 13.11 percent of the participants strongly agreed to the statement that conventional banks pay higher returns as compared to Islamic banks and 25.09 percent of the participants agreed to this concept. 22.10 percent of the participants have remained neutral in this statement while 22.85 percent of the participants have opposed this concept and 16.48 percent of percent have strongly opposed this concept. A higher mean value of 2.95 and a relatively lower standard deviation value of 1.29 explain that a standard concept is reached among participants.

In the 16th statement, only 7.87 percent of the participants agreed to the concept that conventional banks pay the reliably as compared to Islamic Banks and a greater number of participants agreed to this concept; the percentage of participants in this view is 24.72 percent. 27.34 percent of the participants have remained neutral to this concept and 20.22 percent of the participants strongly disagreed with the concept while none of the participants strongly oppose the statement which is 19.48 percent. The higher mean value of 2.80 and a lower value of standard deviation which is 1.24 explain that a strong positive response among the participants has been reached in this concept. This means that most of the public is aware of this concept but still, some awareness is needed to be raised to the public so that they can understand the basics of Islamic banks.

In 17th statement participants responded conventional banks concentrate more on advertisement/promotional activities as compared to Islamic banks. Only 10.49 percent of the participants strongly agreed that conventional banks concentrate more on advertisement as compared to Islamic banks so there is a need to advertise Islamic banking products and services and 24.72 percent of the participants also agreed to this concept while 23.22 percent of the participants have remained neutral on this point. On the opposite side, 23.60 percent of the participant do not agree with this point and 17.23 percent strongly disagreed with this statement. The higher mean value of 2.88 and a relatively lower standard deviation value of 1.26 mean that participants strongly disagreed with this statement.

In the final statement, results show that only 6.74 percent of the respondents strongly agreed about that Islamic and conventional banks are a complete substitute for each other and few also agreed to form this statement which is 17.23 percent of the respondents. On the opposite side majority of the respondents have a strongly disagreed opinion on this statement having a percentage of 28.09 and 19.85 percent of the respondents disagreed from the opinion. The lower mean value of 0.11 and a higher standard deviation show that the perception of this

statement is that participants do not think that Islamic and conventional banks are complete substitutes for each other because of the difference in the products and services of Islamic and conventional banks.

Conclusion

As acquired in the consequence, all of the fallouts postulated are abide a resemblance to that the service quality of the banks, consisting of staffs of the bankers, image of the banks, services obtainable by the banks, and the accessibility of the banks are significant to the customer satisfaction of Islamic banks.

This study looks at the products excellence perception of bank customers in the existence of two banking systems, that is, Islamic and Conventional Banking Systems. Islamic banks are attainment attractiveness due to interest free products, risk sharing activities, and strong ties with the religion. The presence of Islamic and conventional banks in Pakistan created stiff competition among banks to attract and retain greater number of customers by the provision of quality services.

The occurrence of Islamic banking practices obliged the comparison of products excellence perceptions of bank customers between Islamic and conventional banks. Data were pinched from 267 respondents by random sampling residing in major areas of Muzaffarabad. Descriptive statistics were used for demographic characteristics, socio-economic, banking factors. It is upon these findings that we conclude that perception of Islamic banking in Muzaffarabad about products excellence is largely consistent with the mistaken belief of the subject matter.

It is concluded that customers of Islamic banks have inordinate perception towards service quality than the customers of conventional banks. The consequences indicated that there is significant difference in the perception of male and female customers of Islamic banks while there is no difference in the service quality perception among customers of conventional bank on the basis of gender. Bankers can fascination more customers by initiation effective marketing promotions to heighten awareness towards quality of their services. Bank managers should take quality resourcefulness to improve their products by considering demographic characteristics of the customers. It provides a recommendation to Islamic banks for endowment of vendible products to meet potentials of male and female customers according to their specific desires. Bankers are required to develop an effective strategy to attract the female customers by meeting their specific needs. This research is valuable for Islamic banks because they make heavy moneys to attract larger customers for better profitability but these efforts are useless until and unless proper customer controlling. So Islamic bank should enhance awareness regarding its products (services) to compete with conventional bank for long-term benefits and they should introduce new products/services according to Shariah principles. This reading empowers policy makers and bankers to make effective and quality oriented appointments to have gratified and enchanted customers for long-term benefits. It inspires the academicians to conduct research in the banking sector for beautiful blending of theory and practice to analyze the quality of services for increased satisfaction among bank customers.

References

- Belwal, R., & Al Maqbali, A. (2019). A study of customers' perception of Islamic banking in Oman. *Journal of Islamic Marketing*, 10(1), 150-167.
- Contech, S., & Hassan, R. (2021). An analysis of public perception of Islamic banking in the Gambia. *International Journal of Islamic Economics and Finance Research*, 4(1), 2636-9419.
- Hassan, M. (2007). People's perceptions towards the Islamic banking: A fieldwork study on bank account holders' behavior in Pakistan. *Oikonomika*, 43(3-4), 153-176.

Iqbal, Z., & Mirakhor, A. (2007). *An introduction to Islamic finance: Theory and practice*. Hoboken: John Wiley & Sons.

Khafafa, A., & Shafii, Z. (2013). Customer's satisfaction and Islamic banking awareness in the Islamic banking window system in Libya. *Middle-East Journal of Scientific Research*, 13(3), 12-17.

Khattak, N., & Rehman, K. (2010). Customer perception and awareness of Islamic banking system in Pakistan. *African Journal of Business Management*, 4(5), 662-671.

Ringim, K. (2013). Perception of Nigerian Muslims account holder's in conventional banks towards Islamic banking products. *International Journal of Islamic and Middle Eastern Finance Management*, 7(3), 288-305.

Rustam, S., Bibi, S., Zaman, K., Rustam, A., & Haq, Z. (2011). Perception of corporate customers towards Islamic banking products and services in Pakistan. *The Romanian Economic Journal*, 14(41), 107-123.