A STUDY ON BANK SELECTION CRITERIA AND RETAIL CUSTOMERS’ SATISFACTION ACROSS ISLAMIC BANKS IN PAKISTAN

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Abstract

This research examines the bank selection and retail customer satisfaction that how they select their bank. In this regard, the research includes the retail customers of Islamic banks in the context of Pakistan a leading Muslim populated country in the world. In this regard, a total of 350 (30.4 percent females and 69.6 percent males) was served by structured questionnaire in Islamic banks, out of 263 are completed and valid for the study. Present research applied multiple regression analysis, correlation, reliability and normality of data were checked in order to discover the determinants of satisfaction along with Muslim retail customers. Moreover, this research found that Faith factor is not only a factor anymore; in choosing the Islamic bank but the non-faith factors are also imperative for the determination. Furthermore, among the non-faith factors, convenience and commitment are more significant for bank selection criteria. In addition, compassion and sharia’ah compliance has comparatively more influence on satisfaction than convenience and commitment. This study proves to be contributory for banking sector to satisfy their customers needs.

Keywords: Islamic Banking, Faith and non-faith Factors, Customer Satisfaction
INTRODUCTION

With the growing age and advancement in technology banks provide a variety of products to its retail customers. Banks want to compete with other bank by providing unique and distinctive products to its customers and want to get an edge over other banks. In this regard, Islamic banks provide the same services and products to its customers as the conventional banks of Pakistan. But the Islamic banks are working according to the shari’ah of Islam. Islamic banks follow the rules and regulations of Islam and facilitate its customer according to Islamic shari’ah. An Islamic bank encourages the “non-interest” and “trade based financial system” (Rashid et al., 2009). Academic writers suggest that Islamic banks have grown up decidedly as conventional banks. Islamic banks are continuously grown up and increased in size and numbers.

Islamic banks are facing a lot of challenges among other banks like conventional or commercial banks, non-banking financial institutions. To tackle this competition Islamic banks, need to know about the level of satisfaction of its customers that how to retain existing customers and make new customers. The main purpose of these Islamic banks is to provide a wide range of variety in products and services to indulge its customers especially the retail customers. Because the retail customers play a viable role in composing of the Islamic banking business.

It’s a big challenge for Islamic banks to retain its customers. Customers could be retaining only by offering them unique and distinctive products and services. Islamic banks are trying their best to compete. So due to a great competition among banks, banks want to find unique and distinctive strategies to capture their new customers and retain the existing customers.

There are considerable changes in the atmosphere of Banks due to advancement in technology in Pakistan. The issue regarding “how the customer would select bank” has great attention to identify the applicable marketing strategies and needed to focus on those factors which attract new customers.

Islamic banks have a big challenge with the conventional banks and are continuously struggling with the commercial banks and non-banking business institutions, Islamic commercial banks and also with the insurance companies. To sustain in this big competition
Islamic banks must have to know the satisfaction level of its retail customers. Many of researches done earlier are stated that “Religion Islam” is the main reason for choosing Islamic banks, which are purely based on the principles of Quran and the Hadith”. The studies in Malaysia, UAE, Kuwait found that many of other factors also influenced except the religious. These countries found that non-religious factors as efficiency, cost benefit etc are tie up with religious and influenced on bank selection (Dusuki & Abdullah, 2007; Wilson, 1995). Pakistan is the Islamic country and is listed in the developing country of the world. As the Pakistan’s full name is “Islamic republic of Pakistan”. The name itself shows that in Pakistan the majorities of people are Muslims and have the religious that is “Islam”. In Pakistan most of the people chooses Islamic banks only because their religion is Islam. So they go for Islamic banks. Religious is the leading component in Pakistan while selecting of bank among other commercial banks. It’s true that Muslim retail customers select their bank purely based on “religion”. Tie up with above reason, customers also focused on the other factors.

The goal of banks is to achieve an optimal level of customer satisfaction with quality services. In this regard, “faith” is not only the reason for selection of Islamic bank. But the “non-faith” elements like “convenience” and “bank position” also are considered while choosing of bank. It is notable that the “Non-Muslims” have also affection for Islamic banks basically to attain “Non-faith based economic benefits” (Metawa & Almossawi, 1998). Furthermore, the “convenience” and “efficiency” is the secondary part while choose an Islamic bank in developing country like Pakistan (Rashid et al., 2009). Considering this gap, present study is conducted in Pakistan, which is also suggested by (Iqbal, Nisha & Rashid, 2018). Consequently, present study used both faith and non-faith elements which has not been examined for the selection of Islamic bank in Pakistan.

Our intension is to discover the elements and components which effect the satisfaction of “Islamic retail customers” in Pakistan. Present research contributes in two ways. First, this study is focused on the bank selection criteria in Pakistan away from the “faith” elements, the largest Muslim country in the world. This research negotiates that the “faith” as Islam is already in the minds of Muslim retail customers while they are deciding for the bank selection. So, the other “non-faith” (convenience and commitment) elements should also be noticed with “faith” elements and map their services and products with “faith” based bank selection. Second, present research also uploaded with the customer-centric Islamic banking criteria for the Islamic markets. That’s why this criterion will assist the banks to design their bank in such a way that it satisfies the Muslim customers.
It is necessary in current era to have the clear picture of Riba along with the discussion of faith and non-faith factors. In this regard, payment of interest called as “Riba” is strictly disallowed in Islam. Many Quranic verses argued that involving in Riba is like alluring a war against ALLAH and His Prophet (SAW). He also clearly told the concepts of interest and profit on exchange of goods but not to pay money on money. The Islamic banks are working according to the shari’ah of Islam. Islamic banks follow the rules and regulations of Islam and facilitate its customer according to Islamic shari’ah. An Islamic bank encourages the “non-interest” and “trade based financial system” (Rashid et al., 2009). From the last years Islamic banks have grown up decidedly as conventional banks. Islamic banks are continuously grown up and increased in size and numbers.

Market is ever changing due to growing trends and technological advancements; the needs of the customers are dynamically increasing. Banks wants to grab maximum customers by offering cutting edge and innovative services easier for customers to shift to other banks. Differentiated products to attract masses launch Concept of Islamic banking to satiate needs of customers. Emotional attachment of customers with launch of Islamic banking retains customers by exceeded satisfaction levels and competitive offerings.

**LITERATURE REVIEW**

As we are talking about country Pakistan, has developing economy. In this study, we have a mash up of tangible elements as well as intangible elements (Dusuki and Abdullah, 2007).

In another examination in South East Asia was directed, utilized little example of Singaporean, the discoveries uncovered that out of ten level of criteria, outsider associated, family and companions, which assumes indispensable job in bank choice criteria. At the mid of the positioning request comfort came and administration conveyance speed came at the extremely low request (Tan & Chua, 1986). An examination directed in the USA by Javalgi, Amarco and Hosseini (1989) uncovered that the fiscal factors, for example, wellbeing and security of reserve, accessibility of credits, and enthusiasm on bank accounts are the most significant variables. Advantageous area and picture of the bank are other significant variables. Kaynak and Kucukemiraghut (1992) explored the leading components in Hong Kong and uncover out the importance of bank selection criteria that how customer choose their banks. The factor which considered most leading components are convenient location, parking area of banks for customers, repository location, loans and mortgage and financial information team.

An examination by Rehman and Ahmed (2008) structured in an approach to check real instigation of a bank choice. The examination is directed in Pakistan and taking the clients of banking industry. The discoveries of the investigation demonstrated that coming up
next are assuming a crucial job in bank determination criteria that are administrations, web-based banking, condition of bank and convenience. Lewis (1982) examined an exploration on British understudies that what are their conduct towards banking industry and how they select a bank. An example of 716 students was utilized in this examination by taking 11 schools and colleges of England. The determinants which are considered by students are helpful area to school and Parental counsel and impact. In another investigation, Thwaites and Vere, (1995), directed an examination in a Britain to analyze the bank choice criteria. This examination uncovered that ATM area to University, free administrations of Banks. These are the components which the understudies considered while picking of the bank.

Tangible elements include convenience (such as physical location, branches network, ATM, technology etc) and also the banks offer (interest rates on the deposits, loans and fee charges) that emphasis on the satisfaction of customers. Intangible elements include (trust, bank image, compassion etc) that also emphasis on the satisfaction of customers. Customers usually prefer the intangible elements of bank while they are looking for a bank.

Second, during the WFC of 2007-2008, it has been revealed that the Islamic banks on contrary to conventional banks earn certainly more profit (Ramlan and Adnan, 2016). It is notable that the “Non-Muslims” have also affection for Islamic banks basically to attain “Non-faith based economic benefits” (Metawa and Almossawi, 1998). Furthermore the “convenience” and “efficiency” is the secondary part while choose an Islamic bank in developing country like Pakistan (Rashid et al., 2009). However, the Islamic banks are not just based on faith in practice of materialistic but the Muslims monopolized country such as “Pakistan”.

Third, evidence from Islamic banks, it is revealed that the customers of Islamic banks in Pakistan are mostly the adolescent and doing the public and private jobs in the firms. These types of customers have an influencing power to switch to other bank where they get more satisfaction. So, here the “faith” is not only the reason for selection of Islamic bank. But the “non-faith” elements like “convenience” and “bank position” also are considered while choosing of bank. These elements can only satisfy the retail customers such as adolescent of bank (Andaleeb et al., 2016).

Customers Satisfaction and Convenience

When a customer chooses a bank there are many elements in his/her mind. Customers really want “all in one”, it means the customer wish that all of facilities he could be avail only from a one bank which he/she chooses so that he will not switch to any other bank. Some are the elements customer wants when choosing of a bank are (bank location, availability of resources, availability of parking area near the banks, trust, easiness, and security, quick and
fast services by bank, ATM facility, friendly behavior of staff and goodwill of the bank etc. These above are the factors which customers want when he is going to choose a bank. (Anderson et al., 1976; Evans, 1979)

Convenience comes first from all the other factors. Convenience is the most important element of bank selection. It is basic and primary element among the other elements. The preliminary satisfaction of a customer is the Convenience. Where many of services and the other activities mashed up only for the satisfaction of customers and make the banking simple and easy for its customers (Andaleeb et al., 2016). Banks focused on this element “Convenience”, so that customer feels themselves relax and calm. Convenience is the only element which makes customers relax and cool. Due to Convenience banking make easy for customers. They could avail many of facilities and will stay long with that bank. Metawa and Almossowi, (1998) did study on customers of Bahrain and Faisal Islamic bank of Bahrain. They evaluated that the Islamic principles plays a vital role for customers in selection of Islamic banks, and the other factors like influence of family and friends, rewards from the banks and the convenient location are also important in selecting of Islamic banks. Rao and Sharma, (2010) explored an examination on MBA understudies in India. Information was gathered through survey by taking 312 understudies who have a record in bank. The examinations and investigates tended to in the writing audit show that bank must be fruitful on the off chance that it receives client driven methodology.

Driscoll, (1999) declared that the following five factors are important for bank selection criteria.

1. Convenience
2. Service
3. Pricing
4. Customer’s Experience (Ambiance)
5. Selection of product

Zineldin, (1996) directed an investigation on bank key situating and a few determinants of bank choice. The consequence of this investigation demonstrated that "practical quality is more noteworthy than customary showcasing exercises". Comfort of area, cost and commercial assumes a minor job in bank choice criteria. These determinants are less significant for clients while they are doing choice of bank choice.

Zulfiqar, (2014) structured an examination to look at the conduct of clients that how client select the bank. The examination led in Sahiwal Division, Pakistan. Survey is utilized as an exploration instrument to assess the outcomes that how client pick a bank. The complete 150 poll were dispersed to respondents. The respondents are from the Bank of Punjab, United Bank Ltd and Bank AL-Falah Ltd in Sahiwal. The investigation contains eight theories that were extricated from the writing. It is discovered that solitary three are huge. These three elements are "convenience", "Nature of Service" and "Cost and Cost".
Customer satisfaction and Competence

Haron, Ahmed and Planisek (1994) The outcome demonstrated that the most astounding positioned variables were:
  i. The rate at which one’s can do transaction.
  ii. Speedy and well organized services
  iii. Good cooperation of bank organization with customers
  iv. Secrets of banks

Almossawi, (2001) explored the decision of bank choice in Bahrain by university understudies. He took 1000 understudies of university of Bahrain as a sample. The students having the age between 19-24. The result of this study uncovered a few determinants which are most important. They gave them priority in this following sequence.
  i. Bank's image
  ii. Friendliness or amicability of bank workforce
  iii. Accessibility of ATM
  iv. Area or area of ATM (Automated Teller Machine).

Avkiran, (1999) reported in his research that the behavior of staff, confidentiality and reliability, communication and convenient location of ATM are basic determinants of bank selection criteria.

Abbas et al., (2003) did the study to find an appropriate criterion to select an Islamic. According to these findings and criteria, he found that for the selection of staff is the factor which is one of the most significant criteria for an Islamic bank. According to the findings of Abbas et al., inexpert and unprofessional and people who are impolite to carry out the tasks are not necessary for the management if banks. It was basically the factor that the customers give away from the monetary Islamic banks.

In this manner, for smooth running and of Islamic banks, organized and trained Islamic financial workforce is required. Banks must look after their staff is sufficiently prepared to handle clients’ enquires and to along these lines give adequate clarification about the office.

Customer satisfaction and bank image

Kiriakidou and Millward, (2000) studied and the effect of image for the organization including banking sector. He stated that the bank image is necessary for the development of the bank. There are many ways which can be used to increase the banking image. It is utmost necessary to have good public relations and utilize other promotional activities to have positive impact in the minds of customers. Moreover, there are many other factors also take
part in the development to bank image. The role of news and media is also important as it is a
direct source of representing the organization’s picture to a large number of audiences. The
journalists, labor unions and the other organizations also play a keen role in the development
of bank image.

According to Laudon (2013), the actual purpose of the bank image it to appeal the public and
to allow people to learn and study about the organization. The ultimate result of a good bank
image is enhancement of sale, customers and the overall revenue for the bank. Through the
specific and unique bank image, the bank makes it separate and unique in the competition and
also added value in the services of the bank. The mission statement of every bank portrayed
the organization ambitions to create its bank image. Internally, it is essential for a bank to
have effective leadership style, ethical implementations, organization behavior, traditions and
the corporate language to develop a strong organizational image.

Schultz and Hatch, (2010) discussed and elaborate numerous factors which are necessary to
create positive and meaningful bank image. He said that it is essential to find out the key
audience for the bank. This audience can be customers, internal groups, external groups,
business partners and employees. The audience is to be defined specifically. To target this
audience, a set of strategies, communications and the market tools are to be designed to create strong, longer and positive bank image. Along with the audience, the business goals are also important to be determined. It is fruitful to have clear and well-defined goals for the business where the organization wants to reach due to its strong image. For a bank, the goals must be specific and smart with time period and measurement characteristics. The banks can also improve their image through strengthening its public relations. It is important to remain in the news, blogs, and publications and in the trends to improve the bank image and to increase the organizational awareness in the target audience.

Hoyer and MacInnis, (2012) studied the effects of social media on the bank image now a day.
There is no doubt and confusion about the importance of the social media and the role is
playing for the organizations. As due to widely used in the societies, the social media plays a
critical role in developing the bank image. The bank image can be improved and accelerate
by using the social media wisely. Through the social media, the banks can have strong
connections with the audience and direct communication with them. A strong bank image can
easily pursue new customers as they can see many of people are connected with the same
organization. The social media is very delegate type of tool which is connected with the bank
image.

According to Pratihari (2019), a small misfortune can result in strong negative impact on the
bank image. The social media requires continue connection and attention with the people and
audience and can become more dangerous when the followers or the users start talk about
negativity of the organization. Although, the social media provides direct platform for the banking staff to liaise with the people, but it is critical to control and manage the negative impacts easily. However, once a bank develops its strong connections and relations in the social media, it helps a lot and provides numerous benefits in the form of new customers. Although, it is important for the banks to have positive bank image which straightforwardly affects its performance and business growth.

Customer satisfaction and Commitment:
“A trusted brand is always a strong message to the market” (Worthington and Welch, 2011). To fulfill the commitment with customers, staff of the bank plays a vital role in this regard. If the staff of bank are honest, committed, and calm and have patience then they could fulfill the commitment.

Banks should have to recruit the employees in the way that the staffs have the ability to fulfill the promises, tackle the problems, remove the conflicts to be honest with their job and have flexibility so that they could be adjust in any environment, specifically to Islamic accounts. Ltifi et al. (2016) have investigated the Islamic banks of Tunisia, that how they select the bank and addressed that the service quality, faith and trust and the shari’ah law compliance are the elements which have influenced on the selection of Islamic banks. Despite, the overall quality of services is positively impact on the reliability and integrity that is close to commitment of banks toward their customers.

The quality of service which banks give to its customers also significantly affects the integrity of bank. It is very closely connected to the commitment of banks to their retail customers (Swaid and Wigand, 2009). Here when we talking about Islamic banks, it is a challenge for banks to build up their trust. It can only be possible if the banks fulfill their commitments. Islam also addressed Muslims to fulfill their promises other than they will be caught by fire in the hell. It’s important for Islamic banks to fulfill their commitment because they are purely work according to the rules and regulation of Islam. These Islamic banks act as a role model for its customers. Islamic banks should have to maintain its image and create trust by fulfilling its promises and commitments with its customers. This is only a way to build up trust and faith toward the customers. If Islamic bank do not work accordingly, then they will automatically lose their image and trust among customers. Our Holy Prophet (PBUH) addressed in a Hadith that:
“There is no trust of a man who does not fulfill his promises”.

Allah said in Quran-e-Pak that:
“Do fulfill your promises with people then I will fulfill your promises”.

Customers always want to their bank that they fulfill their commitments with the number of service they provide in Pakistan. Commitment positively attached with the satisfaction of retail customers (Andaleeb et al., 2016).
Customer Satisfaction and Compassion

According to Ekman and Paul (2003), the use compassionsates in different ways and manners. For the success of a bank, the compassionate is a vital factor. For instance, the banks interact with the customer’s emotions and feelings by providing them many types of money exchanges for their well-being and to give comfort for the suffering communities. The credit card is a great example of compassionate by the banks. In the time of angriness, sadness and depressions, the bank allows the people to go for shopping by using the credit card and allows them to increase their living standard and life status. It helps the customers to get more psychological satisfaction to live in the society by increasing their standard of living. Along with this, the banks offer various types of services and the product to show sympathy to the needy people or who want to initiate some business in the society. By having nominal terms and conditions, the banks provide various monetary products to the customers to let them gain higher living standards in the society.

San-José, et al. (2011) studied the effects of compassionate on the banking sector and its dynamical role to increase the bank’s credibility, trust and the transparency. Through the compassionate, the banks increase their credibility by showing its attentions and concerns for the overall society and the people. By giving importance to overall society, the banks increase their goodwill and overall repute in the society. In addition, through the compassionate, the banks successfully gain more customers’ trust. The customers realize that the bank is the best companion in case of any difficulty or problem. By opting various strategies and policies, the banks show their participation in the overall prosperity of the society.

According to Richard et al. (2009), it is much essential for the banks to design and formulate the compassionate capital, social capital and the human capital. Through the social capital, the banks address how they will connect with the customers, make strong mutual relationships and share their goals. Through the compassionate capital, the banks address the cognitive and behavioral outcomes to enhance the customer’s experience and satisfaction. It is also useful to improve the positive emotions and long-term trust. There are many ways to build up the compassionate capital. It can be enriched through policies, practices, individual/group needs and to bring the strategies and the resources to meet and mitigate the customers’ needs. By this, the banks always seek knowledge and understandings of customer’s behavior and the values to attain their trust on the bank. Through the compassionate capital, the banks increase their sustainability and play role as corporate social responsibility to build trust.

Rochet and Jean (2009), discussed the role of compassionate in the banking sector. They stated that the compassionate is a key factor to help banks performing better in the intense
In a competitive environment, the banks use the customer’s emotions and attachments. Along with the types of services and the products, the compassionate develop a strategical relationship between both parties. By showing sympathy towards the customers and the societies, the bank acts as a part of society and its welfare process. It ultimately helps to increase its organizational sustainability and overall strategically growth. However, to comply with compassionate strategies and policies is not always as easy. The compassionate directly attach with the emotions and the feelings of the customers. The banks have to take care of its policies and attentions to keep higher benefits of it.

**Customer Satisfaction and Sharia’ah Compliance**

Islam is the fundamental explanation for choosing Islamic banking. The reverential conviction status to recognize the principles of Islam urges individuals to take the administrations from Islamic banks. Consistence with Islamic financial guideline may incorporate non-enthusiasm banking, running totally on Islamic Shari'ah, arrangement of free premium credits, Islamic methods of fund, Continuous advancement and learning making of Islamic monetary administrations and a general disposition towards benefit sharing business (Equity organization).

Based on above arguments, the study has postulated five hypotheses that are related to five designs i.e; “convenience”, “competence”, “commitment”, “corporate image”, “compassion” and “shari’ah compliance”.

**Conceptual Framework of the Study**

Islamic Banking Factors

- **Independent Variables**
- **Convenience**
- **Competence**
- **Commitment**

- **Dependent Variable**
  - Retail Customer’s Satisfaction
RESEARCH METHODOLOGY

We used SPSS version 21 to evaluate the research objectives. Different techniques were used for analysis. First, to determine the information about the respondent’s profile Descriptive statistics were used. Second, the reliability of data was checked and also checked the normality of data, correlation analysis was also processed.

Sample Size and Response Rate

350 questionnaires were distributed defined respondents. Out of these we used 263 respondents for analysis. It is considered valid and accurate for the research. The responses from the respondents are considered complete and valid and it was used for analysis, thereby yielding a response rate of about 75.1 percent. This response rate is considered as valid and enough for the analysis of this study and also for the reliability and generalizability. It took about 25-30 minutes to complete the questionnaire, and it took total of 60 days to collect data from the respondents. In this study, the unit of analysis is the Muslim retail customers.

The population for this study was the customers of Islamic banks. The customers of Islamic banks were taken as respondents. The customers were from the 5 undeniable Islamic Banks and from the Islamic portion of Conventional banks. The sample was taken from the 5 undeniable Islamic banks and also from the Islamic portion of conventional banks. This study preferred a convenience sampling (Non-probability sampling) due to the improper list of customers of Islamic banks.

Instrument used for Research

We used structured close-ended questions were used to collect information regarding the research. The data was collected from the Islamic banks through the corporation and collaboration of Islamic banking staff. The questionnaire filled from the customers of Islamic bank through one to one meeting and direct interaction. The questionnaire was consisted of two parts. Part one represented the demographic data of the respondents that were about

Bank image
Compassion
Sharia’ah compliance
Gender, Education, Age, Occupation, Marital Status and Monthly income. Part two of questionnaire represented the data about 6 factors consisted of 54 different attributes which were considered as pillar for determining the selection criteria of bank. They were asked to fill the five-point Likert-type scale that shows the points from 1 to 5, from “highly dissatisfied” to “highly satisfied”.

Statistics

<table>
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<tr>
<th></th>
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<th>Education</th>
<th>Age</th>
<th>Occupation</th>
<th>Marital_Status</th>
<th>Monthly_Income</th>
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</table>

Table Descriptive Statistics

Gender:

The table as below presents the data related to gender of the respondents.

Gender

Figure distribution of respondents by gender

For this study, it is very clear that out of the total 263 respondents investigated, majority (69.6 percent) of them were males whereas about (30.4 percent) were found to be females. The frequencies of the variable gender are 183 and 80 for male and female of the total 263 respectively. In Pakistan mostly the male are the supervisor of their family and the household are headed by the males very few of households are supported by the females. So here the above table represents that the respondents are males by gender in this study.
Education:
The education of any individual depicts in his personality. Education presents that the only 1.5 percent of respondents were below high school. 14.4 percent were educated up to high school level. Out of 100 percent 28.9 percent were undergraduates. The numbers of respondents were educated up to postgraduate level. Majority of the respondents were postgraduate. The table also presents the frequencies of the education that are 4, 38, 76 and 144 for the below high school, high school, undergraduates and postgraduates respectively. This study shows that very few of respondents were below high school.

![Distribution of Respondents by Education]

**Figure 3.1 distribution of respondents by education**

3.8.3 Age:
Age of the respondents is one of the most significant characteristics in determining their views about the picky problems so it becomes imperative to examine the response.

<table>
<thead>
<tr>
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<th>Frequency</th>
<th>Percent</th>
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<tr>
<td>21-30</td>
<td>72</td>
<td>27.4</td>
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<td>28.9</td>
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<tr>
<td>31-40</td>
<td>150</td>
<td>57.0</td>
<td>57.0</td>
<td>85.9</td>
</tr>
<tr>
<td>40+</td>
<td>37</td>
<td>14.1</td>
<td>14.1</td>
<td>100.0</td>
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<tr>
<td>Total</td>
<td>263</td>
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</tr>
</tbody>
</table>

**Table Age**

The table shows that 1.5 percent of the respondents were from the age group of 17 years to 20 years. Out of 263 respondents 27.4 percent were belongs to 21 years to 30 years age. And 57.0 percent were from the age of 31 years to 40 years and 14.1 percent were from the age
group of 40 plus. Most of the respondents were young and have middle aged; it shows that the young and middle aged more inclined toward Islamic banking.

![Distribution of Respondents by Age](image)

**Figure 3. 2** distribution of respondents by age

### 3.8.4 Occupation

Individual’s life style could be determined from his/her occupation. The quality of life of any individual could be determined from his occupation and the salaries he take from it. Occupation shows reflection in the behaviors and attitude of any individual and socialized him or her in a specific fashion. Hence variable occupation was reported and data pertaining to occupation is presented in Table.

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
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<td>11.4</td>
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<td>34</td>
<td>12.9</td>
<td>12.9</td>
<td>70.0</td>
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<td>15</td>
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<td>14.4</td>
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<td>95.8</td>
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<td>Other</td>
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<tr>
<td>Total</td>
<td>263</td>
<td>100.0</td>
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</tbody>
</table>

**Table 3.1 Occupation**

It is clear from the table that the 11.4 percent of the respondents were engaged in public sector. Out of total respondents 45.6 percent were engaged in private sector. 12.9 percent were self employed and run their own business. 5.7 percent were from semi government agency.
5.7 percent were wage earners and the 14.4 percent were students. 4.2 percent were engaged in any other occupation. This table shows that the majority of the respondents were from the private sector. Table shows that the private sector is a major sector of employment for the people.

Figure 3. 3 distribution of respondents by occupation

<table>
<thead>
<tr>
<th>Marital Status</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Married</td>
<td>102</td>
<td>38.8</td>
<td>38.8</td>
</tr>
<tr>
<td>Unmarried</td>
<td>129</td>
<td>49.0</td>
<td>49.0</td>
</tr>
<tr>
<td>Divorced</td>
<td>19</td>
<td>7.2</td>
<td>7.2</td>
</tr>
<tr>
<td>Widowed</td>
<td>13</td>
<td>4.9</td>
<td>4.9</td>
</tr>
<tr>
<td>Total</td>
<td>263</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 3. 2 Marital Status

It is evident from the table that the 38.8 percent were married, 49.0 were unmarried. Out of 263 respondents 7.2 percent were divorced and 4.9 percent were widowed. Majority of respondents were unmarried. The frequencies of the marital status were 102, 129, 19, and 13 for married, unmarried, divorced, widowed respectively.
Figure 3.4 Distribution of respondents by marital status

<table>
<thead>
<tr>
<th>Marital Status</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than Rs. 10000</td>
<td>32</td>
<td>12.2</td>
<td>12.2</td>
<td>12.2</td>
</tr>
<tr>
<td>Rs. 10000 To Rs.40000</td>
<td>155</td>
<td>58.9</td>
<td>58.9</td>
<td>71.1</td>
</tr>
<tr>
<td>Rs. 41000 To Rs.100000</td>
<td>65</td>
<td>24.7</td>
<td>24.7</td>
<td>95.8</td>
</tr>
<tr>
<td>More Than Rs.100000</td>
<td>11</td>
<td>4.2</td>
<td>4.2</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>263</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Table 3.3 Monthly Income

It is clear from the table 3.11, that the 12.2 percent respondents have the income less than Rs. 10000. 58.9 percent were belonging to the income level group of Rs. 10000 to Rs.40000. 24.7 percent respondents were from the income group of Rs. 41000 to Rs. 100000. And only 4.2 percent have the income more than Rs. 100000. The table shows that the majority of people were belonging to the income group of Rs. 10000 to Rs. 40000.
3.9 Reliability and Validity Analysis of the Questionnaire:

Cronbach Alpha values of convenience, competence, bank image, commitment, compassion, sharia compliance and satisfaction are 0.931, 0.907, 0.914, 0.901, 0.912, 0.902 and 0.915 respectively which are greater than 0.7. In this regard, it presents more reliability of factors.

The lowest mean among the variables is compassion i.e., 3.0389 with the standard deviation of 0.86049 and the highest mean among the variables is competence i.e., 3.4878 with the standard deviation is 0.77976. Other factors like convenience have the mean of 3.1358 with the standard deviation of 1.02888. The mean of bank image is 3.4550 with the standard deviation is 0.88306. Commitment has the mean of 3.2845 with the standard deviation 0.90038. The mean of shari’ah compliance is 3.2129 with the standard deviation of 0.93138. And the mean of satisfaction is 3.3747 with the standard deviation is 0.87401.

Standard deviations tell about the average distance between the values of the data and the mean. High standard deviation indicated that more the value of data spread from its mean range. If there is low standard deviation then it means that the values of data are very close to the mean. The highest standard deviation among all variables is convenience i.e., 1.02888; it means that the values of data are more deviated from the mean. The lowest standard deviation is 0.77976; it means that the values of data are close to the mean.

On average, the mean for all the variables has come out to be greater than the mid-point of the scale. The mean must be in range of the scale. Here the mean of all variables are in range of scale so here it means that the variable shows positive effect in questionnaire. The questionnaire depicts the positive statements. The respondents agree to the positive statements about the criteria of bank choice and satisfaction of Muslim retail customers.
Similarly with the variable of satisfaction, the statements of customer satisfaction, portraying that most of banking customers are satisfied about their services and products with the bank. Through means it’s clear that the customers of Islamic banks were agree with the positive statements in the questionnaire.

**Normality of Data**

"Skewness assesses the extent to which a variable’s distribution is symmetrical. If the distribution of responses for a variable stretches toward the right or left tail of the distribution, then the distribution is referred to as skewed. Kurtosis is a measure of whether the distribution is too peaked (a very narrow distribution with most of the responses in the center)." (Hair et al., 2017, p. 61). Normality of the data has been scrutinized by examining the skewness and kurtosis values of the variables of the data and also for each item of the variables separately. The value of the skewness must be in between -1 and +1. If the value of skewness is zero it means data is in normal form. Data is in normal form and is negatively skewed. And most of the data is on left tail. The values of skewness for Bank image is 0.080, the value is positive and in between the -1 and +1. Data is in normal form and is positively skewed. And most of the data is on right tail. The values of skewness for variable commitment is -0.604, the value is negative and in between the -1 and +1. Data is in normal form and is negatively skewed. And most of the data is on left tail. The values of skewness for variable compassion is -0.061, the value is negative and in between the -1 and +1. Data is in normal form and is negatively skewed. And most of the data is on left tail. The values of skewness for variable shari’ah compliance is -0.197, the value is negative and in between the -1 and +1. Data is in normal form and is negatively skewed. And most of the data is on left tail. And here the values of skewness for variable satisfaction is -0.302, the value is negative and in between the -1 and +1. Data is in normal form and is negatively skewed. And most of the data is on left tail.

Kurtosis is also measured for the normality of data. To check the normal distribution of data kurtosis often measured. The value of kurtosis, when zero or equal to zero then it is called Mesokurtic distributions. If the value of kurtosis is less than zero it means distribution has light tail and is called Platykurtic and if the value is greater than zero, it means that the distribution have heavier tail and is called Leptokurtic distribution.

Here, the values of kurtosis for variables convenience, competence, bank image, commitment, compassion, sharia’ah compliance and satisfaction are -0.956, -0.543, -0.780, -0.088, -1.005, -0.761 and -0.397 respectively. All the values of kurtosis are less than zero so the distribution has light tail and it shows the normality of data.

**Tests of Normality**
The p-value must be less than to 0.05. If the p-value is less than to 0.05 it shows the significance level of variables. Here, all the variables have the p-value that is less than 0.05, it means the variables are significant and the data is in normal form.

**Table 3.4 Tests of Normality**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Kolmogorov-Smirnov&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Shapiro-Wilk</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Statistic</td>
<td>Df</td>
</tr>
<tr>
<td>Convenience</td>
<td>.181</td>
<td>263</td>
</tr>
<tr>
<td>Competence</td>
<td>.074</td>
<td>263</td>
</tr>
<tr>
<td>Bankimage</td>
<td>.102</td>
<td>263</td>
</tr>
<tr>
<td>Commitment</td>
<td>.115</td>
<td>263</td>
</tr>
<tr>
<td>Compassion</td>
<td>.117</td>
<td>263</td>
</tr>
<tr>
<td>Shariahcompliance</td>
<td>.124</td>
<td>263</td>
</tr>
<tr>
<td>Satisfaction</td>
<td>.087</td>
<td>263</td>
</tr>
</tbody>
</table>

<sup>a</sup>Lilliefors Significance Correction

**Figure 3.5 Convenience**
Figure 3. 6 Competence

Figure 3. 7 Bank Image
Figure 3. 8 Commitment

Figure 3. 9 Compassion
Regression Analysis: In this study, Multiple Regression Analysis is used to determine the relationship between the variables.

Determinants of satisfaction of retail Islamic customers:
This study has conducted multiple regression analysis to examine the importance of the determinants of satisfaction. While clearing up the changes in the dependent variable all the factors come out strongly considerable. All the variables positively connect with satisfaction except competence and bank image. Shari’ah compliance of the bankers is the most influential determinant of satisfaction, whereas bank image is the less important determinant of satisfaction.

Table shows the multiple regression coefficients. The model shows R-square value of .634. The R-square value indicates that 63.4 percent of independent variables are explained by customer satisfaction. Higher the R-square leads to better the data or more strongly the data is fitted to model. Here the R-square is high, i.e., 63.4 percent, it means that the data is strongly fitted to model.

### Regression

<table>
<thead>
<tr>
<th>Model Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mode</td>
</tr>
<tr>
<td>------</td>
</tr>
<tr>
<td>1</td>
</tr>
</tbody>
</table>
Predictors: (Constant), shariahcompliance, convenience, commitment, bankimage, compassion, competence

Table Regression Analysis

F-Statistics is performed when the independent variables are jointly significant to influence dependent variable. F-Statistics tells about the overall significance level of model not separately. Here, The model is strongly fitted as the F-statistics is more than 1.96. The threshold of F-statistics is that the value must be greater than 1.96 and the significant value must be less than 0.05. Here the correspondence significant value of F-statistics is less than the 0.05 level of significance indicating that model is fitted statistically. Hence, this model predicts the satisfaction level of Islamic banks customers.

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression 1</td>
<td>126.974</td>
<td>6</td>
<td>21.162</td>
<td>74.042</td>
<td>.000&lt;sup&gt;a&lt;/sup&gt;</td>
</tr>
<tr>
<td>Residual</td>
<td>73.168</td>
<td>256</td>
<td>.286</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>200.142</td>
<td>262</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: satisfaction  
b. Predictors: (Constant), shariahcompliance, convenience, commitment, bankimage, compassion, competence

Table 3.5 ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td>Tolerance</td>
</tr>
<tr>
<td>(Constant)</td>
<td>.596</td>
<td>.163</td>
<td></td>
<td>3.662</td>
<td>.000</td>
</tr>
<tr>
<td>Convenience</td>
<td>.118</td>
<td>.051</td>
<td>.139</td>
<td>2.330</td>
<td>.021</td>
</tr>
<tr>
<td>Competence</td>
<td>.102</td>
<td>.076</td>
<td>.091</td>
<td>1.336</td>
<td>.183</td>
</tr>
<tr>
<td>Bankimage</td>
<td>.036</td>
<td>.066</td>
<td>.037</td>
<td>.548</td>
<td>.584</td>
</tr>
<tr>
<td>Commitment</td>
<td>.189</td>
<td>.055</td>
<td>.195</td>
<td>3.421</td>
<td>.001</td>
</tr>
<tr>
<td>Compassion</td>
<td>.423</td>
<td>.066</td>
<td>.416</td>
<td>6.442</td>
<td>.000</td>
</tr>
<tr>
<td>Shariahcompliance</td>
<td>.393</td>
<td>.046</td>
<td>.419</td>
<td>8.532</td>
<td>.000</td>
</tr>
</tbody>
</table>

a. Dependent Variable: satisfaction

Table 3.6 Coefficient

Collinearity Diagnostics

<table>
<thead>
<tr>
<th>Model</th>
<th>Eigenvalu</th>
<th>Conditio</th>
<th>Variance Proportions</th>
</tr>
</thead>
</table>

335
T-statistics is performed when most of the independent variables are individually significant to explain dependent variable and the threshold of T-statistics must be greater than 1.96. The p-value or significant value must be less than to 0.05. Here, the T-statistics value of convenience is 2.330 and its correspondence significant value is 0.021 which is less than to 0.05. It means that the convenience is positively connected with satisfaction and appears strongly significant. The T-statistics value of competence is 1.336 and its correspondence significant value is 0.183 which is more than to 0.05. It means that the competence is positively connected with satisfaction and appears insignificant. The T-statistics value of bank image is 0.548 and its correspondence significant value is 0.584 which is more than to 0.05. It means that the bank image is positively connected with satisfaction and appears insignificant. The T-statistics value of commitment is 3.421 and its correspondence significant value is 0.001 which is less than to 0.05. It means that the commitment is positively connected with satisfaction and appears strongly significant. The T-statistics value of compassion is 6.442 and its correspondence significant value is 0.000 which is less than to 0.05. It means that the compassion is positively connected with satisfaction and appears strongly significant. The T-statistics value of shari’ah compliance is 8.532 and its correspondence significant value is 0.000 which is less than to 0.05. It means that the shari’ah compliance is positively connected with satisfaction and appears strongly significant.

### Table 3.7 Collinearity Diagnostics

<table>
<thead>
<tr>
<th>el on</th>
<th>e</th>
<th>n Index</th>
<th>(Constant)</th>
<th>Convenience</th>
<th>Competence</th>
<th>bankim age</th>
<th>Commit ment</th>
<th>Compasion</th>
<th>Shariahcompliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>6.809</td>
<td>1.000</td>
<td>.00</td>
<td>.00</td>
<td>.00</td>
<td>.00</td>
<td>.00</td>
<td>.00</td>
<td>.00</td>
</tr>
<tr>
<td>2</td>
<td>.064</td>
<td>10.297</td>
<td>.06</td>
<td>.25</td>
<td>.00</td>
<td>.00</td>
<td>.02</td>
<td>.00</td>
<td>.31</td>
</tr>
<tr>
<td>3</td>
<td>.041</td>
<td>12.818</td>
<td>.64</td>
<td>.00</td>
<td>.01</td>
<td>.01</td>
<td>.00</td>
<td>.08</td>
<td>.19</td>
</tr>
<tr>
<td>4</td>
<td>.034</td>
<td>14.058</td>
<td>.00</td>
<td>.30</td>
<td>.02</td>
<td>.00</td>
<td>.41</td>
<td>.09</td>
<td>.12</td>
</tr>
<tr>
<td>5</td>
<td>.021</td>
<td>18.070</td>
<td>.10</td>
<td>.17</td>
<td>.09</td>
<td>.55</td>
<td>.01</td>
<td>.11</td>
<td>.12</td>
</tr>
<tr>
<td>6</td>
<td>.019</td>
<td>18.903</td>
<td>.09</td>
<td>.01</td>
<td>.01</td>
<td>.04</td>
<td>.56</td>
<td>.61</td>
<td>.24</td>
</tr>
<tr>
<td>7</td>
<td>.011</td>
<td>25.363</td>
<td>.12</td>
<td>.26</td>
<td>.87</td>
<td>.41</td>
<td>.00</td>
<td>.10</td>
<td>.02</td>
</tr>
</tbody>
</table>

*Dependent Variable: satisfaction*
tolerance value should be less than 1. The results of Table indicate that value of VIF tolerance for all variables is less than 1, concluding that there is no problem of Multicollinearity prevails in the data.

CONCLUSION AND RECOMMENDATION

The main four important determinants of satisfaction are convenience, commitment, compassion and shari’ah compliance. Convenience is an imperative factor in the selection of an Islamic bank in Pakistan. Muslim customers like to choose that bank who provides online banking, ATM in several locations, 24 hours ATM facilities, convenient location, wide electronic communication system etc. If a bank serves their customers with fulfilling their promises and commitments, then a bank could get customers satisfaction. Compassionate staffs offer their customers a flexible environment. Customers feel safe and happy when they are served with honesty, fairly treated and got suggestions by bank in his bad and good financial times. It shows more care for customers. A big reason in choosing of Islamic banks is shari’ah compliance. A bank which follows the rules and regulations of Islam could get maximum satisfaction of customers. As Pakistan is an Islamic country so the Muslims customers want to their bank that it must compliance the laws and rules of Islam. Shari’ah compliance and compassion are the most important determinants and play an imperative and significant role among top four determinants and helpful in the decision-making process of customers of banks. Commitment and convenience are playing a significant role by the customers when they select a bank of their choice.

The factor “Reputation” or “bank image” is an important and significant for the customers of Islamic banks of other countries in decision making process of bank selection. The customers of Pakistani banking industry ignored this factor. This study findings are different from the findings of other studied (e.g. Khazeh et al., 1993; Almosawi, 2001; Hedayatnia et al., 2011; Hinson et al., 2009; Yue et al., 1995) which considered the “Reputation” or “bank image” as an important and significant factor in decision making process of customers while choosing of bank. For Pakistani and Bahrainian banking customers “convenience” is a significant factor and highly rated by the customers of both countries while: Bank Image” or “Reputation” is found to be less important by customers of Pakistani and Bahrainian banking sector (Hedayatnia, Eshghi and Avenue, 2011).

Limitations

1. Despite of the fact, in a few developed Islamic markets, there are a lot of researches being directed on retail Islamic customers, to not having built up questionnaire, this study has been affected for growing retail Islamic market. No one of a kind arrangement of instrument can be found in light of the unusualness of the industry (Islamic versus conventional), types of customers (retail versus conventional) and assorted economic situation (developed versus developing).
resources, I have developed the questionnaire which is not free from confinements or limitations.

2. This research has covered respondents from the big cities of Punjab, Pakistan. In rural areas of Pakistan the significance of religion, tangible and intangible offerings may significantly vary. This study does not expect a totally extraordinary hypothetical supporting in the rural setting; accordingly, the religiosity will in any case be in the background while Muslims from the rural zones select their Islamic banks. Be that as it may, the manner in which different elements interface with this applied supporting can be an alluring research question.

**Future Studies**
Future research based on the present study is suggested as follows:

1. Future studies can alter existing items and extend those to a few bunches and statistic companions for more prominent key mediations by Islamic banks and controllers or regulators.

2. Future studies with the same factors would be conducted in the other cities of Pakistan. It would be also conducted in the rural areas of Pakistan. It would be alluring to examine the same research in the other cities of Pakistan.

**Implications for Industry and Regulators**

Normally the bank customers come to Islamic banks for the services like deposit of funds, withdrawal of cash, acquiring loans either for personal use or for business use and credit card services. Retail customers are those customers who want maximum profit from the bank and could switch the bank anytime for the following two reasons: first, if the services are not sufficiently provided to him, second, due to low switching cost to other new bank (Zineldin, 1996). In some countries like Bangladesh (a developing country) tangible capabilities and also the intangible offering would be prime important (Andaleeb et al., 2016). Therefore, in formulating banking strategies related to customer-centric, Islamic banks should combine both determinants of satisfaction.

Among all the factors competence is an imperative factor. The features of Islamic banking and the way of dealing with customers are quietly different from conventional banks. To handle the complaints, conflicts and quarrels of customers in Islamic bank is slightly different from conventional banking (Arham, 2010). Islamic banks always need the deposits and the respondents are overwhelmingly from private service. If the terms of this complex group of customers are not properly met, then they tend to switch the bank quickly. Present study observed the return on deposits in Islamic banks relies upon the profit and loss sharing standards, and in this way isn't pre-fixed, clients pick a bank fundamentally dependent on non-financial characteristics (for example tangible and intangible offerings).
References


