FACTORS RESPONSIBLE FOR MAKING CONSUMER ATTITUDE TOWARDS ISLAMIC BANKING

A Study of Islamic Banks Account holders of Peshawar Region Pakistan.

By

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Abstract

The issue of bank interest is always a question mark for Muslims world. Does religion is the only factor which make consumer attitude towards Islamic banking? To find the very same issue that what factors are influencing consumers attitude towards Islamic banking, this research is conducted. There are many variables which create consumer attitude towards Islamic banking. These variables include Quality Service, Religious Support, Social Influence, Cost Effective, Awareness, and Availability. But it is important to find that how each of these variables contribute towards consumer attitude towards Islamic banking in Peshawar Region Pakistan. To find out which of these variables contribute how much towards consumer attitude of Islamic banking a sample of 100 account holders of Dubai Islamic bank and Bank Al Meezan contacted of Peshawar region. On the basis of their responses a regression and correlation analysis was conducted. Findings and results of the study shows that Religious support and Quality Service has more influence on Consumer Attitude towards Islamic banking in region of Peshawar Pakistan.

Key Words: Islamic Banking, Consumer Attitude, Quality Service, Religious Support, Social Influence, Cost Effective, Awareness, and Availability.
Introduction

Erol and Bdour (1990) the concept of Islamic Banking is a known phenomenon to every one. But very few people may know that why a person will go for Islamic banking. There are many factors which make consumer attitude towards Islamic banking. For the very same purpose this research has conducted to find how much of these variables contributing. This research is focused on determinants of Consumer attitude towards Islamic banking that what are the factors that create Consumer attitude for Islamic banking and how much these variables contribute towards Consumer attitude for Islamic banking in Peshawar region. Research finds six variables Quality Service, Religious Support, Social Influence, Cost Effective, Awareness, and Availability from previous researches. Research is focused on that how these variables are contributing towards Consumer attitude for Islamic banking in Peshawar region Pakistan.

Literature Review

Engel (1986) consumer attitude is a learned predisposition that influence how an individual responds to the environment and stimuli. Attitude is the tendency to respond to an object in a consistently favorable or unfavorable way. Mark Loo (2010) describe that attitude is a complex and multidimensional concept and consists of three components. Tri component model of attitudes shows that attitude is consist is consist of three components Cognitive, Affective and Conative. Cognitive component is that part of attitude which bases on knowledge and experience. The second part of attitude is affective which is based on likeness or dislikness of a particular object or product. The third part of attitude is conation which is based on purchase and consumption.

In service industry it is important to provide quality service. Frank (2012) describe in his study that consume likeness for a service or for a product is based on the level of quality service which is provided by that company. Because of long term involvement the quality service become the prominent factor for consumer and their attitude start depending on it.
Religion is an important factor for purchase decision. A person belongs to any religion but they are influenced by their religion. The controversy of interest is very known in Muslim culture. Muslim culture does not support the interest concept. The concept of Islamic banking developed with interest free banking. Goldsmith(1995) in his study explain that religion has a major influence on consumer attitude towards foods items. According to Tan and Chua (1989) the social influence is an important factor for the attitude making of a consumer regarding a product. But however the social influence pressure may not applicable in every product offering segment. Dusuki and Abdullah (2006) consumer buying decision is normally based on price and cost effectiveness. This cost effectiveness is the major factor for competitive advantage. The service sector having with cost effectiveness is a major factor for purchase decision of a consumer. From passing the purchase process consumer evaluate each seller’s offers. One of the major contributors among the evaluation process is the cost effectiveness. If the offer is more cost effective in comparison of alternates offerings obviously this factor contributes more strongly in buying decision.

Barthay Doraisamy, Arunagiri Shanmugam and Ravindran Raman (2011) providing information about offerings is a key factor for making consumer attitude. Hamid and Nordin (2001) in their study of Malaysian banking consumers’ found out that a high level of awareness of Islamic banking but poor knowledge of specific Islamic banking products, including poor understanding of the difference between Islamic and conventional banks. They also said that better consumer education will assist in making people more aware of Islamic banking products.

According to Owais, Shahzad and Zaheer (2011) company offerings can be availed only if it is available in market for sale. The price, packages and all offerings can only be gained if the product is physically available in the market and consumer can easily access it. This is the reason that companies try to offer product and make it available at consumer doorsteps because availability is the major factor for purchase behavior. The dependency of consumer attitude is dependent upon the availability of that offer in market.
Theoretical Frame work of the study

There are two variables discussed in this study, i.e. dependent and independent variables. The below figure shows the Consumer attitude towards Islamic banking depends upon Quality Service, Religious Support, Social Influence, Cost Effective, Awareness, and Availability.

The theoretical frame work of the study includes all those variables that are identified from literature Quality Service, Religious Support, Social Influence, Cost Effective, Awareness, and Availability are independent variables of the study. While Consumer attitude towards Islamic banking is dependent upon mentioned variables.

Study identified the relationship among above variables. On the basis of these variables a conclusion and recommendations is provided.
Methodology

As this research is focused on the Consumer attitude towards Islamic banking. For research purpose the account holders of Dubai Islamic bank, and Almeezan Bank of Peshawar region were targeted randomly. A sample of 100 was selected for data analysis. The Likert scale questionnaire is designed for collecting the data from the mention sample. The number of participants who contacted was 100. For data collection among 100 consumers a research instrument was distributed. The response from respondent was 97% and regression and correlation analysis was conducted on mentioned sample size.

Reliability of Scale:

The table 1 below shows the reliability of the data collected from respondents. The following table show that the data collected from mentioned sample is reliable and respondents answered accurately. Because the variables are exceeding from 70% which is the standard of acceptance for reliability.

<table>
<thead>
<tr>
<th>S.No</th>
<th>Variables</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Consumer Attitude</td>
<td>0.721</td>
</tr>
<tr>
<td>2</td>
<td>Quality Service</td>
<td>0.776</td>
</tr>
<tr>
<td>3</td>
<td>Religious Support</td>
<td>0.832</td>
</tr>
<tr>
<td>4</td>
<td>Social Influence</td>
<td>0.711</td>
</tr>
<tr>
<td>5</td>
<td>Cost effective</td>
<td>0.703</td>
</tr>
<tr>
<td>6</td>
<td>Awareness</td>
<td>0.784</td>
</tr>
<tr>
<td>7</td>
<td>Availability</td>
<td>0.893</td>
</tr>
</tbody>
</table>

The above table calculations suggest that the responses given by respondents of the study are reliable.

Hypotheses of the study and Regression Analysis

An overview of the hypothesis related to the relationship of Consumer attitude towards Islamic banking with Quality Service, Religious Support, Social Influence,
Cost Effective, Awareness, and Availability. In order to test the hypothesis of the study six hypotheses are developed. Study shows that there is significant relationship between the Consumer attitude towards Islamic banking and following hypothesis.

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Hypothesis</th>
</tr>
</thead>
</table>
| Relationship between Consumer Attitude and its Making factors. | H:1 Quality service has an impact over consumer attitude towards Islamic banking.  
H:2 Religious support has a significant relationship with consumer attitude towards Islamic banking.  
H:3 Social influence has an impact on consumer attitude towards Islamic banking.  
H:4 Cost effectiveness make consumer attitude towards Islamic banking.  
H:5 Because of awareness consumer attitude towards Islamic banking. Is developed.  
H:6 Availability make consumer attitude towards Islamic banking. |

Table 2 below shows significance relationship between the dependent and independent variables. It explains that the Consumer attitude towards Islamic banking has a significant relationship with Quality Service, Religious Support, Social Influence, Cost Effective, Awareness, and Availability.  
Table 2 show that the overall model is highly significant. Table 2 below shows significance relationship between Quality service and Consumer attitude towards Islamic banking. There is significant relationship exist between Quality service and Consumer attitude towards Islamic banking (t-statistic = 22.139 and P-value= 0.000). There is a significant relationships exist between Religious support and Consumer attitude towards Islamic banking (t-statistic = 30.214 and P-value= 0.000) which mean that Religious support has an impact on Consumer attitude towards Islamic banking.  
Table 2 below shows that there is a significant relationships exist between Social influence and Consumer attitude towards Islamic banking (t-statistic = 19.631 and P-value= 0.000) which mean social influence has an impact on Consumer attitude towards Islamic banking. There is significant relationship exist between Cost effectiveness and Consumer attitude towards Islamic banking (t-statistic = 25.993 and P-value= 0.000).
There is significant relationship exist between Awareness and Consumer attitude towards Islamic banking (t-statistic = 29.105 and P-value= 0.000). There is a significant relationships exist between availability and Consumer attitude towards Islamic banking (t-statistic = 28.064 and P-value= 0.000) which mean that availability has an impact on Consumer attitude towards Islamic banking. Hence the above result shows that Consumer attitude towards Islamic banking is dependent upon above mentioned variables.

**Correlation Analysis**

As shown in table 3 below, there is strong association between Consumer attitude towards Islamic banking and Quality Service, Religious Support, Social Influence, Cost Effective, Awareness, and Availability. Survey demonstrates that there is a strong relationship between Consumer attitude towards Islamic banking and quality service with Correlation coefficient (r = 0.823).

For Consumer attitude towards Islamic banking and Religious Support correlation coefficient is (r = .929). Which mean that Religious support has a strong influence on Consumer attitude towards Islamic banking. As shown in table 3, there is strong
association between Consumer attitude towards Islamic banking and social influence with correlation coefficient \( r = .741 \). There is a moderate relationship exist between Consumer attitude towards Islamic banking and cost effectiveness with correlation coefficient \( r = .653 \).

### Table 3 Correlation Analysis for Variables of the study.

<table>
<thead>
<tr>
<th>S. No</th>
<th>Dependent Variables</th>
<th>Independent variable</th>
<th>R</th>
<th>R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Consumer Attitude</td>
<td>Quality Service</td>
<td>0.823</td>
<td>0.677</td>
</tr>
<tr>
<td>2</td>
<td>Consumer Attitude</td>
<td>Religious Support</td>
<td>0.929</td>
<td>0.863</td>
</tr>
<tr>
<td>3</td>
<td>Consumer Attitude</td>
<td>Social Influence</td>
<td>0.741</td>
<td>0.549</td>
</tr>
<tr>
<td>4</td>
<td>Consumer Attitude</td>
<td>Cost effective</td>
<td>0.653</td>
<td>0.426</td>
</tr>
<tr>
<td>5</td>
<td>Consumer Attitude</td>
<td>Awareness</td>
<td>0.674</td>
<td>0.454</td>
</tr>
<tr>
<td>6</td>
<td>Consumer Attitude</td>
<td>Availability</td>
<td>0.703</td>
<td>0.494</td>
</tr>
</tbody>
</table>

Consumer attitude towards Islamic banking has a moderate relationship with Awareness with correlation coefficient \( r = .674 \). Which mean that Awareness has moderate impact on Consumer attitude towards Islamic banking. There is a strong relationship exist between Consumer attitude towards Islamic banking and availability with correlation coefficient \( r = .703 \). Which mean that availability can strongly affect Consumer attitude towards Islamic banking.

**Conclusion**

Research finds that Consumer attitude towards Islamic banking has a significant relationship with Quality Service, Religious Support, Social Influence, Cost Effective, Competitive Edge, and Availability. All factors play a vital role in creation of Consumer attitude towards Islamic banking. But findings of research
show that Religious Support contribute more with correlation (r = .917) toward Consumer attitude for Islamic banking in comparison of other variables of study. The second prominent variable is Quality service of Islamic banking with correlation (r = .823) which contribute more toward the Consumer attitude for Islamic banking. Over all between all variables the vital role is from Religious support and quality service. Hence it is concluded that all variables has influence on Consumer attitude towards Islamic banking but Religious support and quality service has greater influence on Consumer attitude for Islamic banking.

References


