

Impact Of Customer Awareness, Competition And Interest Rate On Growth Of Islamic Banking In Pakistan

Muhammad Farhan Basheer, Tanveer Hussain, Saira Ghulam Hussan, Mubeen Javed

ABSTRACT: The prime objective of this study is to investigate the Impact Customer awareness, Interest, on Growth of Islamic Banking in Pakistan. A detailed discussion of lack of Profit and loss sharing of Islamic Banking in Pakistan is also made. Survey results from 553 respondents indicate that Customer Awareness and Interest contribute to Growth of Islamic Banking. This study will be helpful for general public, managers and policy makers in assessing the impact of religion in deciding about Islamic banking. Furthermore, empirical findings should help Islamic bankers to develop successful marketing plan.

KEYWORDS: Islamic Banking, PLS, Pakistan.

INTRODUCTION

In the very start i. e. from 1960's of this Islamic banking which is based on PLS model researchers and theorist had envisaged that, Islamic financing and inviting activities will be based on two key legal concept legitimate by Prophet Muhammad (P. BUH) and discussed in Quran i. e *Mudarba* and *musharak* . At that times these theorist claimed that in future Islamic banking will be able to provide a wide range of risk sharing products. But later this concept became outdated, but actually these two concepts are basis for PLS model. (Abdullah Saeed 1998) Profit Loss Sharing (PLS) is a prominent part of finance literature, researcher across the world with different qualitative and quantitative dimension trying to explore the factors which determine or mechanism which explains how to share/ distribute profit or loss among stake holders or who will bear more or less burden. Let's start with the definition of PLS ; It's a deal or more precisely and agreement between two firms or individual on agreed upon terms with free will on the subject that the profit and loss will be distributed on agreed upon proportion (Bidabad, Allahyarifard, 2008; Humayon, Presley, 2000). economists from Islamic majorities said that PLS is constituent t of two major financing modes Mudarba and Musharka which includes both risk sharing as well as reward sharing.

Only reward sharing isn't allowed in Islam both parties in their contractual agreement should mention it that they will liable in all profits and loss that is the reason, all Islamic PLS models are based on Mudarba and Musharka, but the problem with these models is that they are much away or are greatly diverted from that pure Islamic models especially in banking all the practices are seems to be under great influence of modern banking system. Almost all financial institutions of capital market i. e investment firms, mutual funds, investment funds and other financial instruments offerings are using Islamic terms or Arabic synonyms to sell these products, but no finical engineering is being done on Islamic teachings of Holy Quran. One can say the Islamic banking as a new product to capture the earlier customers which initially was reluctant to invest or lend from modern banking either because of greater exploitations or because of strong religious beliefs. But we can not deny the fact that Islaic banking is ever increasing phenomenon now a days and has great influence on PLS models being followed in modern financial institutions in Islamic majorities. meanwhile lot of research is being done to nourish this imbrue industry to erected stem with Islamic seeds and fertilizer to clarify the concepts and to provide a concrete base to further discussion , we have included some references from Quran which highlight some important features of Ismalic PLS models (Dar, Presley, 2000/01) (Ariff 1988). With Islamic PLS financial faith and partnership are pillars of financial relation between user and seekers of the funds and sale based, service based, rent based and investment based financing are four financings act as proxies of intrest based financing (Dar, 2003) Constrains in PLS efficiency is that this contract requied a clear definition of property right, but in most Muslim majorities property rules are nor properly defines or have some problems in. Third risk is very important in decision making so with return, but Islamic Banks overlook this very phenomenon and invest in projects with higher risk, meanwhile research indicates Mudarba and Musharka are relatively expensive modes of financing for risk sensitive investors. So risk can be considered as competitive advantage which a Islamic banks can enjoy. Limited role of investors management either because of limited knowledge or because of dispersed shareholdings and dichotomous financial structure of profit and Loss sharing (PLS) make investors more information asymmetric and encourage sleeping

- *Muhammad Farhan Basheer and Tanveer Hussian are currently pursuing PhD degree program in Banking and Finance in University of Utara Malaysia Sintok, Kedah, Malaysia, PH+60149055654=. E-mail: khwaja.farhan7@gmail.com*
- *Saira Ghulam Hussan is currently pursuing M. phil degree program in Institute of Business and Management (IB&M) UET, Lahore*
- *Mubeen Javed is currently pursuing M. phil degree program in Bahauddin Zakariya University, Multan, Pakistan Lahore campus*

partnership. The prime purpose of this study is to evaluate and bridge the theoretical gap on profit and loss sharing of Islamic banking in Pakistan that relates with so many factors like growth of Islamic Banking in consumer research, consumer awareness, financial cost and compensation paid to customer. In our study the independent variable is compensation and financial cost and compensation are considered as major determinants of Growth in Islamic Banking while this variable is being statistically controlled in this study

Literature Review

Throughout the Globe, Islamic Banking is emerging as new concept for researcher and finance expert and a new product of financial market. Researcher across the globe especially in Muslim Majority or major minority like India with different models investigating the factors which determine the patronage factors of Islamic Banking and the features of Islamic Banking products which differentiate it from those conventional. As because of Profit and Loss sharing Model Islamic Banking is less riskier and provide a shield against frequent banking crisis, many countries even non-Muslim too are adopting either features of Islamic banking or opening its institutions. It is popular concept in developed Americans and European economies Countries. IMF recently reported that Islamic financing is enjoying a stable growth rate of 10-15 % per annum meanwhile they reported that this growth rate will be stable in coming years as well. But the bitter reality is that, the Islamic Banking which truly based on PLS is not introduced yet . the prevailing Islamic financing instruments are highly influenced by conventional or interest based systems. Though in late 80's Profit and Loss Certificates were introduced in financial markets but soon they were outdated (Bidabad, Allahyarifard, 2008). In the very start i. e. from 1960's of this Islamic banking which is based on PLS model researchers and theorist had envisaged that, Islamic financing and inviting activities will be based on two key legal concept legitimate by Prophet Muhammad (P. BUH) and discussed in Quran i. e. *Mudarba* and *musharak* . At that times these theorist claimed that in future Islamic banking will be able to provide a wide range of risk sharing products. But later this concept became outdated, but actually these two concepts are basis for PLS model. (Abdullah Saeed 1998) Profit Loss Sharing (PLS) is a prominent part of finance literature, researcher across the world with different qualitative and quantitative dimension trying to explore the factors which determine or mechanism which explains how to share/distribute profit or loss among stake holders or who will bear more or less burden. Let's start with the definition of PLS ; It's a deal or more precisely and agreement between two firms or individual on agreed upon terms with free will on the subject that the profit and loss will be distributed on agreed upon proportion (Bidabad, Allahyarifard, 2008; Humayon, Presley, 2000). Economists from Islamic majorities said that PLS is constituent t of two major financing modes Mudarba and Musharka which includes both risk sharing as well as reward sharing. Only reward sharing isn't allowed in Islam both parties in their contractual agreement should mention it that they will liable in all profits and loss. that is the reason, all Islamic PLS models are based on Mudarba and Musharka, but the problem with these models is that they are much away or

are greatly diverted from that pure Islamic models especially in banking all the practices are seems to be under great influence of modern banking system. Almost all financial institutions of capital market i. e investment firms, mutual funds, investment funds and other financial instruments offerings are using Islamic terms or Arabic synonyms to sell these products, but no financial engineering is being done on Islamic teachings of Holy Quran. One can say the Islamic banking as a new product to capture the earlier customers which initially was reluctant to invest or lend from modern banking either because of greater exploitations or because of strong religious beliefs. But we can not deny the fact that Islamic banking is ever increasing phenomenon now a days and has great influence on PLS models being followed in modern financial institutions in Islamic majorities. meanwhile lot of research is being done to nourish this imbrue industry to erected stem with Islamic seeds and fertilizer to clarify the concepts and to provide a concrete base to further discussion , we have included some references from Quran which highlight some important features of Islamic PLS models (Dar, Presley, 2000/01) (Ariff 1988). With Islamic PLS financial faith and partnership are pillars of financial relation between user and seekers of the funds and sale based, service based, rent based and investment based financing are four financings act as proxies of interest based financing (Dar, 2003) One can say the Islamic banking as a new product to capture the earlier customers which initially was reluctant to invest or lend from modern banking either because of greater exploitations or because of strong religious beliefs. But we can not deny the fact that Islamic banking is ever increasing phenomenon now a days and has great influence on PLS models being followed in modern financial institutions in Islamic majorities. meanwhile lot of research is being done to nourish this imbrue industry to erected stem with Islamic seeds and fertilizer to clarify the concepts and to provide a concrete base to further discussion, we have included some references from Quran which highlight some important features of Islamic PLS models Allah prohibited charging interest and has directed each person to make sure that his dealing in life is free from the evil of interest whether he is doing any trade or attached with any profession. Some of the Verses from the Holy Quran are quoted below:

"Allah destroys interest and gives increase for Charity. And Allah does not like every sinning disbeliever". (Al-Quran: 2:276)

The verse 2:276 of the Quran illustrates about the Allah act of demolishing of interest and asked to practice the donations.

"O, believers, fear Allah, and give up what is still due to you from the interest (usury), if you are true believers. " (Al-Quran: 2:278)

In Surat Al-Baqarah, Allah says;

"If you do not do so, then take notice of war from Allah and His Messenger. But, if you repent, you can have your principal. Neither should you commit injustice nor should you be subjected to it. " (Al-Quran:2:279)

It is clear from the verse that Allah has clearly mentioned a war against those who practice interest and Allah has warned for committing any injustice.

Verse 130 of the *Surat 'Ali 'Imran* states that usury in any form is forbidden by Allah and fear to Allah so that we become successful in our lives.

“O you who have believed, do not consume usury, doubled and multiplied, but fear Allah that you may be successful”.
(*Al-Quran: 3:130*)

Islamic banking is an area of high primacy for the State Bank of Pakistan. For the development of IBs several steps are being followed to make it strong enough to provide a vital alternate to conventional banking services. The Islamic ideologies which administrate the processes of IBs are also known as *Shariah* principles. (Rashid, Hassan, & Ahmad, 2008) stated principles which are applicable in IBs are called *Mudaraba*, *Musharaka*, *Bai-Murabaha*, *Bai-Salam*, *Bai-Mu'ajjal*, *Ijara*, *Shirkatul Milk*, and *Qard*.

- **Musharakah:**

Musharakah is based upon partnership where bank shares in capital and management expertise with the client. Profit and loss are shared on the agreed contractual conditions.

- **Mudarabah:**

Bank invests the capital and entrepreneur will manage this capital. At the ending of the business enterprise, manager pays back the fund to the bank along with the prearranged profit with the bank. In case of loss it would be borne by the bank.

- **Bai-Murabaha:**

Bank buy goods on behalf of its customer, and then sell it to its customer on the cost plus profit. Client then pays the bank in future. The bank earns a profit without taking any loss risk because profit rate is determined on the basis of market price of the product.

Bai-Salam: Bank contracts for the purchase of any commodity in the agreed price for delivery in the future. It helps bank and the commodity buyer mutually. **Bai-Mu'ajjal:** Vendor sells some goods compatible with Islamic law to the buyer (bank) at predetermined price payable at a later date specified in a lump sum or in installments. **Ijarah:** Bank buys immovable or movable property for customers for a decided amount of installment for a certain period. The installments are then capitalized in *Mudaraba* account. The funds deposited are then used to purchase a property. **Shirkatul Milk:** Islamic banks participates some portion of equity with the customer while buying some property. The share of bank is rented to the customer under certain circumstances. By the time customer acquires the bank part of lease on the agreed conditions.

Qard: *Qard* is an interest-free loan, which helps the needy people of society by making self-sufficient and to increase their incomes and living standards.

Islamic banking system is one of the developing areas in the world-wide financial market, with a huge prospective it is growing very rapidly in all parts of the globe. IBs established themselves in comparatively short period by capturing a good market share from its competitors. Existence of IBs in some Muslim states is 5%, 12% and 30% in Malaysia, KSA and Kuwait respectively. It is expected that in the coming 8 to 10 years IBs will become a part of at least 40-50% of the total savings of world Muslims. Islamic banks are showing emphasis on the domestic markets whereas Western conventional institutions like Merrill Lynch have a high net value. At present there exist no worldwide competitors for IBs, moreover there are no retail IBs in Organization of Economic Cooperation and Development (OECD) countries. Also, Islamic banks lack in-house expertise to make products compliant with Islamic law and therefore, there is a need for financial expertise from the West. Country like Pakistan is considered as the pioneers of full Islamization. Pakistan's model of Islamic banking was initiated in the earlier 1950s. At that time economists were thinking on the philosophy of implementing Islamic system in the state. Pakistan becomes a leader by enacting a full Islamic financial system in country. Twenty years later, it was understood by the governing bodies that they still inherit the British system in the state and it could not be transformed so quickly. The existing system was making difficult to establish a full Islamic financial system as they were trying to make a change in a very short time. In 1992 the Federal Shariat Court (FSC) affirmed that banking running on interest principle is non-Islamic and hence it must prohibit. Finally, in the year 1998 the decision was made to abolish usury "riba" from the country's banking system. While going into the detail of history of Islamic banking, we can conclude it is an emerging but not a latest concept, on small and medium scale this concept is being practiced from almost last three decades Islamic banking. However religious diversity has significant impact on its practices and timeline for example in eastern part of world with majority Islamic states it is not new concept, but in other part of world it is new concept. Recently Government of Singapore introduced Islamic Banking with an argument that this will help corporate sector in speeding the business activities meanwhile they further argued that the PLS model which is a best replacement of risky interest based model will reduce the risk of banking crisis (Ascarya, 2010) As world is becoming global village and markets are converging to much larger segments, developments in media and technology has removed the distances, the same happened with financial market, in recent decades financial system which is a highly complex and integrated system with components spread around the globe has been experiencing intense cross border and dynamic competition, that is one of the reason why Islamic banking has become the fastest growing financial sector. Islamic banking has become the most profitable and competitive advantageous product that the recent that Islamic banking sector has shown a significance growth with more than 160 Islamic Financial institutions operating globally (Dar 2003). As while exploring detriments of Islamic banking which is based on PLS model researchers explored religion as one of the important detriments of selection of Islamic banking, people with strong religious beliefs prefer Islamic mode of

financing that why, out of these 162 most of the Islamic financial institutions are located in Islamic part of the world, especially in middle east, but because of its long lasting economic benefits and increased demands by both immigrant and conventional banks, this concept has become equally important in developed part of the world as well (DONSYAH YUDISTIRA 2004). In Pakistan, (Manzoor, Aqeel, & Sattar, 2010) did their research on Islamic banking growth factors. Their findings contributed that religion was the main reason of growth which dominated over other patronizing factors. They concluded that people were adopting Islamic banking intuitions mostly due to Islamic regulations and nature. (Kaleem & Isa, 2009) stated religion is the main aspect for the selection from the customers of Islamic Bank in their research. The core categories of account holders in the local Muslims in Malaysia are; first those people who strictly follows the religion in life and wants to stick with the Islamic banking services at any price. The other category of Muslims is those who give more importance to service and quality. The researcher noted in their study that only 40% of the Muslims would prefer Islamic banking in Malaysia, the rest of the other is non-Muslims who prefer that the time value for their transactions should be fast. They also found that many Muslims and non-Muslims were willing to establish Akhtar (2008) in his paper highlights that Islamic banking with its product engineered on the basis of PLS model which ensure lower risk and smoothly functioning economy, is competing conventional banking by fulfilling the equity financing requirements Islamic finance with its versatile product competing with conventional finance and these products meeting the requirement of different business and equity base financing. Innovation in Islamic finance is facilitating financial stability. Similarly Noor (2007) explored that Islamic banking a Halal banking which encouraged the sense of partnership which lead an economy to more skill entrepreneur society. (Hin, Wei, Bohari, & Zainol, 2011) stated that principles of Islamic Sharia is the one of the most imperative factor in picking an Islamic bank. The second significant factor was the return rate, which is committed to the principles of Islamic law. The subsequent selection criteria, according to the researchers, for the selection of IBIs were recommendations from family and friends, followed by the easy access of the bank site. According to the (Hin, Wei, Bohari, & Zainol, 2011) study, the client consideration towards the presence of Shariah was the strong reason for selecting the Islamic banks. However, during their findings they measured reputation of the bank as the most important factor that influences the choice of customers while selecting a bank. They placed religion influence as second important factor affecting the customer's decisions towards Islamic Banking. The study of (Khattak & Rehman, 2010) studied the behavior of Jordanian people regarding interest free banking. They analyses that religion factor was not found as the main factor for selecting an IBIs, but there were some other criteria's of selection including the profitability level and the returns on the investments of the customers. The researchers also investigated the behavior of Bahrain's customers and found two main patronizing factors for selecting Islamic Banking, 1) obedience to the Islamic laws and 2) rate of returns on investments. (Ahmad, Rahman, Ali, & Seman, 2008) found that the liking for Islamic banking

is largely motivated by religious views and not on the financial understanding. The researcher stated the relationship as, stronger the binding with religion the greater will be the inclination towards Islamic banking services. The researcher (Haron & Ahmad, 2000) argue for the importance of quantification impact of interest rate and is believed that changes in the interest rate for long run period can transform the habits of the social including the tendency of saving. In their analysis of classical function of consumption they suggested that the key variables that determine the average tendency of consumption is "the interest rate" that are offered by the banks. In their study they set upon opposite connection between interest rate and consumption. (Haron & Ahmad, 2000) concluded their study by providing support on the subject of the relationship between the deposited amount and depositors in the Islamic banking system in Malaysia. The results confirmed that clients who put their deposits in savings and investment accounts were because of the profit purpose. They also confirm that there was no connection between the rate of interest offered by the local banks. Weill (2009) with sample of banks from 17 countries measured market power. he measure market power as ability of survival in pre subprime crisis i. e 2000-2007 and he conclude that islamic banks have low market power than conventional banks. The study of (Kasri & Kassim, 2009) was to find main elements of saving in the Islamic banks. They worked on the consequences of Mudarabah deposit yield of a bank and the interest rate in the conventional bank on the level of deposit in the Islamic banks. They found a positive correlation between the deposit level and its yield, showing that higher return gives higher level of the deposit. This suggests the presence of profit reason among the depositors of Islamic bank. Their own research revealed the tendency of depositors of Islamic banks to take out their fund and put it in the conventional banks when the real return on investment of Islamic bank is lower than its conventional interest rate. . (Yap & Kader, 2008) examined the relationship between changes in the interest rate on deposits of conventional banks and the rate of return on deposits with Islamic banks for the period 1984-2003. Dividing the period into two parts, first when the interest rate is rising and second when it is falling, their study found strong positive links between the two rates for each of the sectors. The results showed transfer rates closely both in the same direction regardless of high or low interest rates. The result supported the theory that low interest rates offer by the conventional had a positive impact on Islamic banks but also pointed out that forcing Islamic bank to raise interest rates on deposits when interest rates remain competitive, which would involve the pressure possible on the profits of the banks. (Okumus, 2005) and Khoirunissa (2003) looked upon the interest free banking in Turkey. He evaluates the types of products offered by the SFHs in Turkey. The working of SFHs is based on the collection of funds through two main accounts, namely "Current Accounts" and "Profit or Loss Participation Accounts". Islamic principle applied to the current account is the *Wadiah (trust)* principle and these deposits may be withdrawn in whole or in any part on the request of the depositors at any time and the account can be opened in Turkish Lira(TL) or any other foreign currencies. Current account holders are not aided with profit, interest or any

amount of money. The further research shows that numbers of banking services such as money transmit, and the collection of checks or promissory notes and the check books were offered for current account holders. (Okumus, 2005) mentioned that the principle backing the profit and loss contribution accounts at the SFHs is *Mudarabah*. *The account work* on the basis that investors participate in any outcome whether it is profit or loss that arises from the SFHs board who are managing their capitals instead of receiving a fix return on the deposits. Account opened in foreign exchange is rewarded back in the same currency in which it was opened. (Okumus, 2005) discussed the bank act for Assurance Fund that provides guarantee of TL 50 billion to the users of SFHs. The accounts in SHFs are guaranteed by the Government of Turkey. (Bashir, 1999) mentioned the traditional methods used in the Islamic financing that is *Mudarabah* and *Musharakah* for the current and saving accounts in today's Islamic Banking. Islamic banks work as agents while accepting deposits, and act as a principal while lending on the base of PLS. (Ahmad & Haron, 2002) research in Malaysia indicated that IBs have not done adequate steps regarding educating their customers towards the products and services and the promotion of products they are providing. The majority of their respondent showed that they had inadequate knowledge or information about Islamic banking system. They discussed the fact that in Malaysia although the Interest-Free Banking Structure is working from the 1993 but it seems that the majority of the respondents started using Islamic banking few years ago. The researcher mentioned an absence of advertising effort for the small market segment of Islamic deposits in Malaysia. The results of the study conducted by (Rustam, Bibi, Zaman, Rustam, & Haq, 2011) suggest that Islamic products have good potential in Pakistan. According to them majority of corporate consumers have not much information of Islamic banking products in Pakistan. The reason for this unawareness of customers towards Islamic banking is that Islamic institutions lack in the area of marketing their products and services. As argued by (Mansor, Shariff, & Manap, 2012) there is a need to increase the awareness of banking customers as they are offering a wide range of customers with several options that are available by banks to ensure their competitiveness. The researchers suggested that the process of awareness is to familiarize consumers through advertisement, promotion and other marketing communications method with the company brand, products and services, and inform people about their special characteristics and benefits, and showing how it differs in the functional or symbolic meaning to competition brands. Moreover, a consumer who's receiving information from the mass media or word of mouth creates awareness among consumers.

Data and Methodology

Tools of Data Collection and Methodology

Though lot of work has been done on the sample of different economies but little or no intension has been given to explore the issue for sample of Pakistan. As Pakistan is an Islamic sate and most of the prevailing norms values and believes are highly influenced by Islamic philosophies

which make this study both important and interesting. We have followed positivism and gathered data on large sample to quantify results with precisions and reliability. A well formulated questionnaire is used. As we are working on Islamic banking The user of Islamic banking are population of this study As it is a time and resource constrained studies Initially we have selected 650 respondents but due to some limitations we were able sent 600 questionnaire and out of that 553 identified as true respondents so the final sample is a balance sample of 553

Table 1: Reliability

Variables	Cronbach Alpha Values
Customer Awareness	0. 875
Competition	0. 839
Interest	0. 945
Growth in Islamic Banking	0. 931

After encoding all the data collected from respondents, reliability test named as Cronbach Alpha is applied to test the reliability of the data collection instrument. After applying reliability tests following results shown in Table 1. 1 are given. All the Cronbach's Alpha Values are greater than. 70 which is typically considered as a rule of thumb to donate an acceptable level of internal reliability.

Results:**Table 2 :Descriptive Statistics**

	N	Minimum	Maximum	Mean	Std. Deviation
Customer Awareness	553	1. 29	4. 57	3. 2160	. 55939
Competition	553	1. 29	5. 00	3. 5477	. 65477
Interest	553	1. 00	5. 00	3. 6880	. 87506
Growth of Islamic Banking	553	1. 00	5. 00	3. 5700	. 89974
Valid N (list wise)	553				

Table 3: Correlations

		Customer Awareness	Competition	Interest	Growth of Islamic Banking
Customer Awareness	Pearson Correlation	1			
	Sig. (2-tailed)				
Competition	Pearson Correlation	. 656**	1		
	Sig. (2-tailed)	. 000			
Interest	Pearson Correlation	. 526*	. 555**	1	
	Sig. (2-tailed)	. 001	. 000		
Growth of Islamic Banking	Pearson Correlation	. 568**	. 615**	. 657**	1
	Sig. (2-tailed)	. 007	. 001	. 000	

** . Correlation is significant at the 0. 01 level (2tailed).

Hypothesized Results	Estimates	Significance
Growth Customer Awareness	0. 538	0. 012
Growth Competition	0. 648	0. 000
Growth Interest	0. 781	0. 006
R Square	0. 650	F 18. 45
Adjusted R Square	0. 677	Sig. 0. 000

Table 4:Regression

The overall view of all the variables is shown in above presented table of descriptive statistics. The scale of five responses with the given options of strongly disagree, disagree, neutral, agree, and strongly agree is used. Each variable of the model possess 100 number of observations. The above table provides the average values of all the variables along with their values of standard deviation. Central tendency of the variables' values can be observed by average, for example if the above obtained mean values are used to observe respondent's average response rate then the mean values are as, mean of customer awareness (3. 2160), mean of competition (3. 5477), mean of interest (3. 6880), mean of growth of Islamic banking (3. 5700). It can be observed that the respondent's average response rate for all the variables lie within the options of 3 and 4 where (3 represents neutral and 4 represents agree). The minimum response shown by the respondent is 1 and the maximum is 5. Standard deviation explains that how much the values of the variables are dispersed from its mean value. So if we observe the response rate through values of standard deviation it is shown that the variable of customer awareness obtained a lowest value of standard deviation (0. 55939) as compare to other variables. This lowest value explains the lowest variation or a high consistency in the responses of the respondents for the variable of customer awareness. But the value of standard deviation of growth of

Islamic banking is the highest value which explains high variation or less consistency in the responses for this variable. Correlation is used to check the mutual relationship among variables. For checking the relationship we will make two hypotheses: null (H0) and alternative (H1). We interpret the findings on the acceptance or rejection of the hypothesis. We used correlation matrix to check the mutual relationship of different variables. The hypothesis which we developed are given below Results of regression are shown and discussed below. Coefficient of determination has a value R square is 0. 65 There is no effect on the value of adjusted coefficient of determination (adj. R2) here it shows that it is adjusted for the degree of freedom. . 670 value of adjusted coefficient of determination (adj. R2) shows a 67% variation in the growth of Islamic banking. The value of F-statistics shows that the at least one of the partial regression coefficient in the estimated model is different from zero because it is statistically significant at less than 5%. According to results the t-statistics and corresponding p-values show that the brand equity is less significantly affected by the independent variables. The significance of the individual partial regression coefficients is tested by using T-test. In this model the null hypothesis is set as the partial regression coefficient is zero. According to the results at less than 5% level of significance the coefficients of predictors are

statistically significant. According to results the t-statistics and corresponding p-values show that the brand equity is less significantly affected by the independent variables. The significance of the individual partial regression coefficients is tested by using T-test. In this model the null hypothesis is set as the partial regression coefficient is zero. According to the results at less than 5% level of significance the coefficients of predictors are statistically sign

Discussion:

Customer awareness appears in positive and significant relation with growth of Islamic banking in Pkaistan. the findings are consistant with Mansor et al, (2012) and Lo, C. W. , & Leow, C. S. (2014). It indicates that there is a need to increase the awareness of banking customers as they are offering a wide range of customers with several options that are available by banks to ensure their competitiveness. It further confirm a common view that the process of awareness is to familiarize consumers through advertisement, promotion and other marketing communications method with the company brand, products and services, and inform people about their special characteristics and benefits, and showing how it differs in the functional or symbolic meaning to competition brands. Moreover, a consumer who 's receiving information from the mass media or word of mouth creates awareness among consumers (Iqbal, M. , & Molyneux, P. (2016). The relationship between competition and growth is positive and significant. The findings are consistant with prior findings of (Okumus, 2005) and Khoirunissa (2003). The result supported the theory that low interest rates offer by the conventional had a positive impact on Islamic banks but also pointed out that forcing Islamic bank to raise interest rates on deposits when interest rates remain competitive, which would involve the pressure possible on the profits of the banks. The findinsg are also consistant with prior findings of (Kasri & Kassim, 2009). They worked on the consequences of Mudarabah deposit yield of a bank and the interest rate in the conventional bank on the level of deposit in the Islamic banks. They found a positive correlation between the deposit level and its yield, showing that higher return gives higher level of the deposit. This suggests the presence of profit reason among the depositors of Islamic bank. Their own research revealed the tendency of depositors of Islamic banks to take out their fund and put it in the conventional banks when the real return on investment of Islamic bank is lower than its conventional interest rate.

CONCLUSION

The symbol of Islamic banking will expand with time and the occurrence of Islamic banking does not seem temporary. The main behind is people's disliking of conventional banking. Islamic banks are expected to be more enterprising than their conventional counterparts however practically Islamic banks have been concentrating on the least risky short term trade financing. Long term financing is required for the enterprises and its availability is not always possible. For Islamic financial instruments the international structures such as secondary capital markets are also not available. To concentrate on short term financing is important as the early years of operations are reflected as well as it can be easily administered, is less risky and gives

quick results. As the banks grow older they will learn to pay more attention on equity financing. The conversion of conventional banking into Islamic banking or in other words to change the conventional banking into Islamic window is another solution. . It is perhaps not too wild a proposition to suggest that there is a need for specialized Islamic financial institutions in which scholar are available to guide the people because people easily convince by them.

Reference

- [1] Lo, C. W. , & Leow, C. S. (2014). Islamic banking in Malaysia: A sustainable growth of the consumer market. *International Journal of Trade, Economics and Finance*, 5(6), 526.
- [2] Iqbal, M. , & Molyneux, P. (2016). *Thirty years of Islamic banking: History, performance and prospects*. Springer.
- [3] Bidabad, B. , & Allahyarifard, M. (2008, March). Assets and liabilities management in Islamic banking. In *3rd International Conference on Islamic banking and Finance*.
- [4] Donsyah Yudistira (2003), 'Efficiency in Islamic Banking: an Empirical Analysis of 18 Banks', *Social Science Research Network (SSRN-id0406007)*.
- [5] Bidabad, B. , & Allahyarifard, M. (2009). The executive mechanism of profit and loss sharing (PLS) banking. Chong, S. , Liu, J. , Myers, A. C. , Qi, X. , Vikram, K. , Zheng, L. , & Zheng, X.
- [6] (2007, October). Secure web applications via automatic partitioning. In *ACM SIGOPS Operating Systems Review (Vol. 41, No. 6, pp. 31-44)*. ACM.
- [7] Umar, A. , Ahmed, Q. U. , Muhammad, B. Y. , Dogarai, B. B. S. , & Soad, S. Z. B. M. (2010). Anti-hyperglycemic activity of the leaves of *Tetracera scandens* Linn. Merr. (Dilleniaceae) in alloxan induced diabetic rats. *Journal of ethnopharmacology*, 131(1), 140-145.
- [8] Saeed, A. (1998). Idealism and Pragmatism in Islamic Banking: The Application of Shari'ah Principles and Adjustments. *JOURNAL OF ARABIC ISLAMIC AND MIDDLE EASTERN STUDIES*, 4, 89-111.
- [9] Ariff, M. (1988). Islamic banking. *Asian- Pacific Economic Literature*, 2(2), 48-64.
- [10] Dar, H. A. , & Presley, J. R. (2000). Lack of profit loss sharing in Islamic banking: management and control imbalances. *International journal of Islamic financial services*, 2(2), 3-18.
- [11] Liu, C. , Wu, K. , & Pei, J. (2007). An energy-efficient data collection framework for wireless sensor networks by exploiting spatiotemporal correlation. *Parallel and Distributed Systems, IEEE Transactions on*, 18(7), 1010-1023.

- [12] Iqbal, Z. , & Mirakhor, A. (1999). Progress and challenges of Islamic banking. *Thunderbird International Business Review*, 41(4- 5), 381-405.
- [13] Mills, P. S. and J. R. Presley. (1999). *Islamic Finance: Theory and Practice*. Basingstoke: Macmillan Press. [6] Ayub, Muhammad. (2007). *Understanding Islamic Finance*. England: John Wiley & Sons. in press.
- [14] Chapra, M. U. (1992). *Islam and the Economic Challenge*. Leicester, UK: The Islamic Foundation. in press.
- [15] Ascarya, D. Y. (2005). *Bank Syariah: Gambaran Umum*. Jakarta: Pusat Pendidikan dan Studi Kebanksentralan (PPSK) Bank Indonesia.
- [16] Chapra, M. U. (2000). *The Future of Economics: An Islamic Persepective*. Islamic Foundation.
- [17] Akhtar, S. (2007). *Pakistan Banking Sector Reforms: Performance and Challenges*. Speech delivered by Dr. Shamshad Akhtar Governor State Bank of Pakistan, Geneva,
- [18] Weill, L. Do Islamic banks have greater market power. *BOFIT Discussion Papers*, 2, 2010.
- [19] Akhtar, S. (2006). *Syariah Compliant Corporate Governance*.
- [20] Delta Khoirunissa (2003), "Consumers preference toward Islamic banking(in bank muamalat Indonesia and bank BNI syariah), *Iqtisad Journal of Islamic*
- [21] Mohiuddin A. , "Islamic Banking – A Hedge against Manmade Crisis", 2009,
- [22] Noor A. M. , "Islamic Banking Present & Future Challenges, *Journal of Management & Social Sciences*", BIZTEK
- [23] Akhtar, S. , "Authenticity and Innovation – A Regulator's Perspective" Harvard Law School, 2008.
- [24] Humayum, D. (2010) *Islamic financial system and economic growth. An assessment discussant*. Dept. of Economics loughborough University, Laoughborough, UK.
- [25] Presley, H. A. (2010). *Lack of Profit Loss Sharing in Islamic Banking: Management and Control Imbalances*.