Factors Influencing Adoption of Islamic Banking:

A Study from Pakistan

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Abstract

Islamic banking system was initiated in Pakistan nearly three decades back in 1980 by SBP, through restructuring banking rules and ordinance i.e., it imposed alterations in operations of

conventional banks. The first full-fledge Islamic Bank was granted incorporation certificate in 2001. However, the Islamic banking (IB) still seemed to have comparatively low market share. Therefore, the main objective of this study is to scrutinize the awareness, religious perception, and preferences in terms of reputation and networking on IB, of Pakistani community. Hence, a survey was conducted based on 150 respondents, representing Muslim community from metropolitan as well as rural areas, all over the country. Results revealed that there is a significant perceived adoption criteria regarding Islamic Banking. Criteria include factors of importance, starting from the most significant, Awareness regarding financial teachings of Islam, Reputation, Networking and Religion. Thus, the results would be worthwhile for the Islamic banking sector in comprehending the customer perception and preferences regarding IB, and to stimulate it strategically, and for the concerned authorities, in promoting specific regulations and policies that complement the market share of IB.

Keywords: Islamic Banking, Religion, Financial teaching of Islam, Reputation, Networking, Awareness

1. Introduction

The term "Islamic Banking" is defined as the conduct of banking procedures in coherence with Islamic teachings. The main doctrines of Islamic banking activities comprise of prohibition of interest (Riba) in all forms of transactions undertaking business and trade activities, based on, fair and legitimate profit and loss sharing. Malaysian Islamic Banking Act 1983(276) defines Islamic banking business as "any business whose objective and operations do not mix elements that are forbidden in Islam". Islamic banking system (IBS) was introduced due to the reason that there was the need of financial institution for Muslim customers who could satisfy their needs and demands according to Shariah rules. The main sources of Shari'ah are the Holy Quran, Hadith, Sunna, Ijma, Qiyas and Ijtihad. IBS is purely based on the Islamic Shari'ah concept, which excluded the factor of interest.

Islamic banking system is an old concept. The first step regarding the establishment of the Islamic banking system was taken in 1963s when "The MitGhamr saving bank" in Egypt experimented the first effort of establishing Islamic banking system that was unsuccessful attempt due to the inappropriate marketing and management strategy. The subsequent strong and successful step was taken by Malaysia in 1980, which is first Islamic country that has given more consideration for the development of IBS. This achievement was given rise to Islamic banking growth. There are approximately about 15 to 20% per annum growth in Islamic Banking Industries.

In Pakistan the first step regarding IBS implementation was taken in 1980, when State Bank of Pakistan made some changes in the rules and regulations of banking ordinance. With regard to this from 1st July 1985 all commercial banks were made interest free by introducing PLS system. That was not a successful experiment. After that in December, 2001 the first certificate had been issued to Meezan Investment bank as the first stand-alone Islamic Bank in Pakistan. And now with the blessing of Allah in Pakistan till the end of 2007 there were six

(6) full-fledged Islamic Banks. (Meezan Bank, Albarka Islamic Bank, Dubai Islamic Bank, Dawood Islamic Bank, Global Emirate Islamic Bank, Bank Islamic Pakistan).

The emergence of Islamic banking system has created a new dimension to the current economic models (Fazlan.S& Mohammad, 2007). Majority population of Pakistan is Muslims. Religion is the main foundation of partition of banking sector into Islamic banks and conventional banks. Now there are 6 Islamic and 13 Conventional banks working in Pakistan offering products and services in different parts of the country. They are competing in a highly competitive environment for the provision of quality services according to customers' expectations.

The main purpose of conducting this research is to find out major factors contributing to adoption of Islamic Banking and to recognize those factors that need more consideration to develop Islamic Banking Industry in Pakistan economy. This study intends to examine the preferences of general people of Pakistan regarding the adoption of Islamic Banking irrespective of the fact that they have accounts with Islamic/ conventional Banks or not. Moreover, this study will help to rank the variables in order of their importance in adopting Islamic Banks as per the current and potential customers' preferences.

Initially consumer's preferences toward Islamic Banks were slow but with passage of time it is increasing and still in growth. Many factors are contributing toward emergent acceptance and adoption of Islamic Banks. There are needs to capitalize these factors to flourish Islamic Banking System. Awareness level, networking, service quality, Profitability, religion, marketing, trust, knowledge, perception, products types and customer's satisfaction are some of the significant factors found in previous studies. Main focus of this study is to reveal customer preferences to IBS on the basis of Religion, Awareness, Networking, Advertisement and Reputation.

2. Literature Review

2.1 Adoption of Islamic Banking

In current study Adoption to Islamic Bank (ADIB) is dependent variable which is used to measure, why people had adopted or interesting to adopt IB services and to see ADIB in relation with the factors contributing towards its adoption. The term "Adoption" is to accept formally and put into effects. The term "Islamic Banking" is defined as the conduct of banking operations in consonance with Islamic teachings (Mirakhor, 2000; A.Haque, Jamil.O& Ahmad.Z, 2007). Unlike conventional banking system, Islamic Banking prohibits usury, collection and payment of Riba; instead it promotes profit and loss sharing, giving zakat, working for benefit of society and development of all halaal aspects of business. In early days, tendency of customers toward acceptance of Islamic Banks was low but with passage of time it is increasing. There are various factors contributed to enhance the tendency of customers toward adoption of IB. Literature is rich in this point of view but in this study main focus is on religion, awareness, networking and reputation in term of significance toward Islamic Banking.

2.2 Religion and adoption of Islamic banking

Kirkpatrick (2005) expressed religion as psychological connection, dominant emotional relationship to things. Religion is a cause, principle, or a system of beliefs, practices held to with ardor and faith. Islamic bank has a spirit and philosophy of Islam, regarding interest-free transactions and risk sharing. Metawa and Almossawi (1998) found the religion as the main factor affect customer perception in the selection of Islamic banking system and not the yield on their investment.In addition he found religiosity is ranked highest factor affecting selection criteria followed by profitability. In UK, the volume of deposits of Muslims in Islamic financial institutions in primarily influenced by religious reasons (Omer, 1992).The same finding is supported by Othmen and Owen (2001); Walkhid and Afrita (2007): Haron et al (1994), where religion is major influential factor of IB adoption.

Conversely, a Jordan based study found that religion did not play significant role to adopt an Islamic bank, but profit driven criteria was an important factor to choose a bank (Erol, C. and El.B. Radi, 1989). Regarding the Islamic banking selection criteria most of the customers have adopted Islamic banking due to the religious reasons, but there are some other factors that motivate the customers for the adoption of the Islamic banking system such as, bank efficiency in the transaction, their confidentiality to its customers, its working hours etc. (Khattak and Rehman., 2010). Studies by Hegazy (1995) on Egypt, Naser et al., (1999) on Jordan, Kareem and Afiff (2006) and Rohmah (2006) on Indonesia and Dusuki and Abdullah (2007) on Malaysia are agree with the findings that religiosity is not the main reason for people to support Islamic Banks. Marimuthu et al., (2010) taking muslims and non-muslims as sample population concluded that cost-benefit, service quality, convenience and influenced by friends are more important variables than religion in selection criteria. Hasan et al. (2012), concluded "religious motives is the second most influencing construct when customer go for selecting Islamic Banks".

H1: Religion is a significant influential factor on adoption of IB

2.3 Awareness and Adoption of IB

According to Oxford Dictionary; "Awareness is concern about and well-informed interest in a particular situation or development". In this study we examine the awareness/knowledge regarding Product and services, awareness in term of advertisement and awareness about financial teaching of Islam.

Previous studies provide evidences about the impact of **awareness regarding products and services**. Rammal and Zurbruegg (2007) discovered that people were interested in IB products however unawareness to these products was the biggest hurdle in Australian market. The customer's awareness level towards IB products is better in some of the common products such as current accounts, time deposit account. But most of the customers are unaware of the specific Islamic financial products such as Murabaha, Ijara (Khattak and

Rehman., 2010). Although IB is more than 30 years old, however people are not aware of its products and services. Inadequate information about Islamic banking products and services is ranked second in determining the significance of factors affecting low share of IB (Adnan et al., 2011).Wahyuni (2012) examined the relationship of knowledge and intention to use Islamic Bank, and found a positive significant relation between them. Moreover, Wahyuni (2012) stated that '' Muslim Umma with better knowledge has greater intention to use IB''.The results of the study conducted by Hareem et at., (2012) have proved that people have positive attitude and enough awareness towards Islamic banking in Pakistan and are shifting from conventional banking to Islamic banking.

The impact of the **awareness of financial teaching of Islam** on adoption of Islamic Banking is noted by previous researchers. Marimuthu (2010) found in his study, 57.6% respondents were not aware of basic IB concepts. Hamid and Nordin (2001) in their study of Malaysian banking consumers' found out that a high level of awareness of Islamic banking (financial teaching of Islam) 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.

Advertising is also one of the dimensions of awareness. Mass media advertising was less important for a customer as bank selection criteria. Likewise, commercial banks are still willing to invest a large amount of funds for advertising for greater competitiveness despite the uncertainties of its returns.(Studin et al., 1994). Gerrard and Cunningham (1997) performed study on the Singapore customer. They wanted to explore the awareness of customers towards the Islamic banking products. Their findings highlighted the need of strong advertising campaign to overcome the lack of awareness of the customer regarding the IB. the same is suggested by Marimuthu (2010).

H2: Awareness (Product & Services) is a significant influential factor in adoption of IB

H3: Awareness (Financial teaching of Islam) is a significant influential factor in adoption of IB

H4: Awareness (Advertising) is a significant influential factor in adoption of IB

2.4 Networking and Adoption of IB

Networking is one of the important variables in determining the adoption criteria of Islamic Banks. It refers to geographically extended number of branches that a particular organization has in order to provide access to its customers. According to SBP (2010), the market share of Islamic banking during the quarter has increased to 6.4 percent as there was 3.2% growth in its assets compared to a decline in asset base of the conventional banks. The Islamic banking grew its branch network by 5.4 percent. Haron et al, 1994 found convenience as a major factor influencing selection criteria of IB, he conceptualize convenience as wide branch

network, location being near home or work, convenient working hour of ATM, and bank location. Small network of branches is one of the factors that have significant effect on low growth of Islamic banking, so Islamic Banks should try to reach more people by opening more branches and it will certainly increase public confidence on them. (Adnan et al., 2011).

There is high potential in the success of Islamic banking industry if the Islamic banking industry extends their network with customer demanded product (Khattak and Rehman., 2010). But a Jordan based study had a different finding, that opening new branches has not a significant relation in adoption of Islamic Banks.   (Erol, C. and El.B.Radi, 1989).

H5: Networking is a significant influential factor in adoption of IB

2.5 Reputation and Adoption of IB

Reputation is also an IB adoption criterion. The opinion that people have about what something is like based on what has happened in the past is concerned to build a reputation. Bank Reputation seems to have high impact on selection criteria of Islamic Banking. (Mubeem Ur Rehman, 2011; Erol. and El-Bdour, 1989; Javalgi et al., 1989; Kennington et al, 1996).Reputation and the image of the bank was ranked the third among non-muslim respondents by Sudin et al. (1994).Study conducted in Malaysia, that support prior finding of Sudin et al. (1994), as third priority in IB selection criteria is given to reputation. A study carried by Marimuthu et al (2010) , in which reputation/size, staff-factor and advertising were said to be have less significant relationship with the acceptance of IB. On the other hand cost-benefit, service quality and convenience have a more significant relationship.

H6: Reputation is a significant influential factor in adoption of IB

Figure 1: Hypothetical Model for the current research
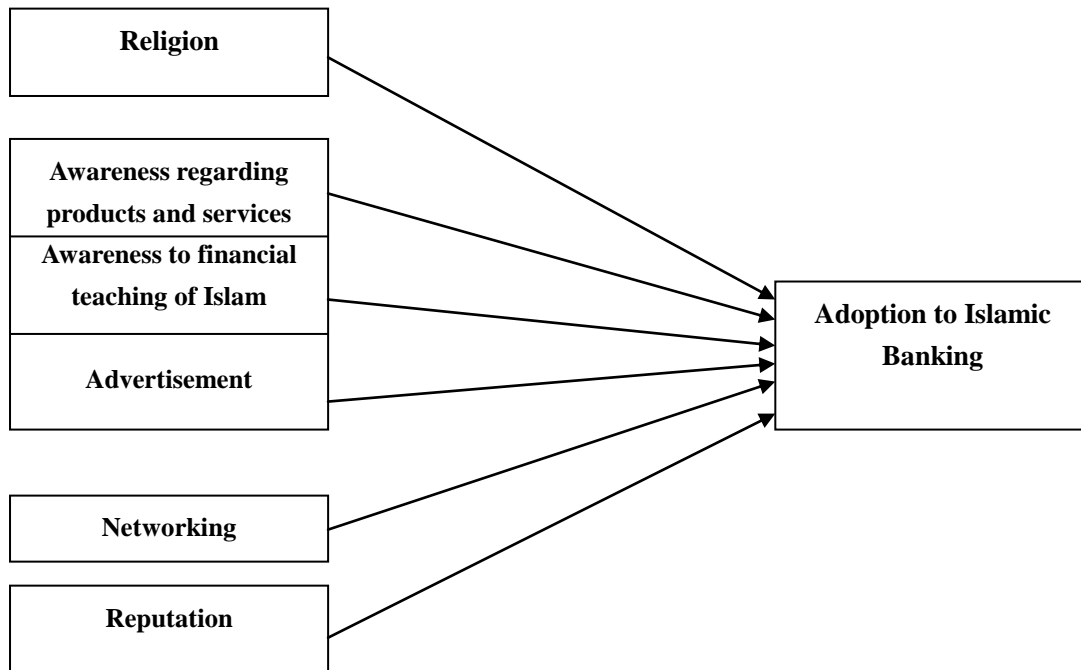
3   Research Methodology

The current research is descriptive in nature study that is undertaken in the sphere of Pakistan to learn about and describe the factors which influence adoption of Islamic banking (ADIB). Descriptive study defines the features and relevant variety dimension regarding the variable of interest in a given phenomenon, which offersthe researcher to think systematically about aspects of a situation under investigation. (Ume Sekaren, 2000)

3.1 Sample/Data

In order to understand the situation about adoption of Islamic Banking, a well-structured questionnaire was used to collect the data from the respondents. The main qualification to participate in the self-administered survey is to be the Muslim citizens of Pakistan. While selecting target population, we have considered the responses indicates the general preferences of people in ADIB irrespective to either it have accounts with conventional banks/ Islamic banks or not.   For Islamic Bank account holders, what are their perceived preferences in selecting ADIB? Moreover, which factor contributes more in selecting IB? For non-Islamic bank account holders (includes both having conventional bank accounts and having no accounts), If they are interested in utilizing and adopting IB, what is the sequential basis for such adoption? We have examined the preferences of general people to adopt Islamic banking based on religion, awareness, networking and reputation.

These respondents are selected through convenience based sampling, one of the non-probability techniques to obtain the relevant information from sample of interest that are

conveniently available. Convenience based sampling is usually used for obtaining a large number of completed surveys promptly and with economy (Lym et al., 2010).

3.2 Instrument & Measures

This instrument of data collection consisted of two sections: In first section it deals with obtaining socio-demographic information about the respondents and the second section was about collecting data by operationalizing the six predictor variables influencing Adoption to Islamic Banking. These predictor variables include religion, awareness regarding product & services, awareness about financial teachings of Islam, awareness regarding advertisement, networking and reputation.

3.3 Procedures

A total of 180 questionnaires were distributed, from which 150 were considered for analysis and rest of the questionnaire was excluded due to incomplete and invalid responses. The sample size of current research is comprises of   different cities of Pakistan including Lahore, Islamabad, Quetta, Peshawar, Faisalabad, Gilgit, Sukhar, Multan and Bahawalpur, on the basis of which results are generalized. After collecting the data, valid responses were coded and entered into SPSS sheet for detail analysis.

3.4Reliability Analysis

Reliability in form of Cronbach's alpha helps to access the goodness of measure. All the research variables were reliable as their Cronbach＇s alphas weremore than acceptable and recommended value of 0.50 by Nunnally (1970) and 0.60 by Moss et al. (1998). This shows that all the 38 items were reliable and valid to measure the intention of consumers towards Islamic Banking transactions.

Table 1: Reliability of Measurements Instrument

Scale	Item	Cronbach's Alpha
Adoption to Islamic Banking	5	0.840
Religion	7	0.836
Awareness about Islamic Banking Product	8	0.943
Awareness to financial teaching of Islam	5	0.806
Awareness in terms of Advertisement	5	0.584
Networking	3	0.568
Reputation	5	0.850

4   Results and Analysis

4.1 Profile of the Respondents

Personal and demographic information such as gender, age, income, education level, status, Bank Name, and City of Residence are presented in the following table (Table 4).

Table 2: Profile of Respondents

Variables	Categories	Frequency	Percentage
Gender	Male	111	74.0
	Female	39	26.0
Age of Respondent	15-25 years	66	44.0
	25-35 years	70	46.7
	35-45 years	9	6.0
	45-55 years	2	1.3
	above 55 years	3	2.0
Income of Respondent	Below 15000	39	26.0
	15000-25000	35	23.3
	25000-35000	31	20.7
	35000-45000	13	8.7
	45000-55000	22	14.7
	Above 55000	10	6.7
Education of Respondent	Matric	6	4.0
	Intermediate	19	12.7
	Bachelors	42	28.0
	Masters	64	42.7
	MS/M.Phil.	19	12.7
	Others	0	0.0
Status of Respondent	Student	51	34.0
	Employed	86	57.3
	Businessmen	7	4.7
	Unemployed	4	2.7
	Housewife	2	1.3
Having Bank Account	Yes	115	76.7
	No	35	23.3
Bank Name of Respondent	Meezan Bank	9	7.8
	Bank Islami	1	0.8
	Bank Al Baraka	1	0.8
	Other	104	90.4

Table 2 presents the demographic information of the sample. There were considerably more males than females, with the majority of respondents' age was round about 25 years. Age group of (15-25years) is 44% of the total samples, 46.7% were between (25-35) years, and 10% respondents were above 35 year. According to the descriptive results in terms of the age distribution has shown, that majority of respondents' ages are between 15 to 35 years. Nearly 50% of the respondents have Income level below Rs. 25000. Majority of respondents are Graduate and Employed. Descriptive analysis illustrates 115 sample respondent having bank accounts and 35 of them neither have accounts neither in conventional banks nor in Islamic banks. Furthermore, 104 out of 115 sample populations have their accounts in Conventional Banks and rest of respondents are Islamic Banking Customers

5. Hypothesis Testing

5.1 Religion

According to the findings of the study, Religion is a significant influential factor in adoption to IB. Specifically, Religion shows positive relationship with predicted variable (ADIB) with ($\beta=0.156$) and ($p < 0.05$). That means Religion contributes more than 15% in Adoption to Islamic Banking. Results also infer that 98 times out of 100, our estimator will reflect the true characteristics of population under study. Findings of current study validate the H1.

5.2 Awareness regarding Islamic Banking Product & Services

Regression estimate results show that Awareness regarding Islamic Banking Products & Services is insignificantly related with Adoption to IB. From the table 3, p-value of awareness regarding products and services is .251 that is greater than 0.05, with ($\beta=0.086$). H2 is rejected, that means awareness regarding products and services is not a significant influential factor in Adoption to IB.

5.3 Awareness to financial teaching of Islam

For Awareness to financial teaching of Islam p-value is less than .05 with ($\beta=0.254$), it depicts the significant association among variables. Evidenced by regression analysis, Awareness to financial teaching of Islam is the most significant factor that persuades Pakistanis to adopt Islamic Banking. This variable contributes more than 25% in Adoption to Islamic Banking. P-value shows, there is 0.4 time out of 100 times possibility that the actual result may differ from estimated value. H3 is confirmed on the basis of sufficient evidence provided by regression results.

5.4 Awareness in terms of Advertisement

While considering the significance between Awareness in terms of Advertisement and Adoption to IB, the results of the current study illustrates no significant relationship between these two variables with ($\beta=0.048$) and ($p > 0.05$). Based on these results, we reject H4 that shows awareness is not contributing in adoption of IB.

5.5 Networking

Evidence provided by current research show that there is significant relationship between

number of branches of Islamic banks and adoption to IB. H5 is accepted because p-value is less than 0.05 and beta (β) is equal to 0.165. In simple words people like to adopt IB, if its branches are conveniently reachable by the customers (potential/current). Furthermore, we can say that at least 97 times out of 100, our estimator will reveal the true population characteristics.

5.6 Reputation

Association between reputation and Adoption to Islamic Banking is fully supported by significant level of 0.015 which is less than standard p-value. H6 is accepted and depicts reputation play key role while adopting IB's services as with β=0.215. This variable contributes approximately 21% in Adoption to Islamic Banking. Moreover, we can say that at least 98 times out of 100, our sample will reveal the true population characteristics.

Table 3: Regression Results

Hypothesis	Model Variables	Estimates	S.E	C.R	P	Results
H1	ADIB ← Religion	0.159	0.112	1.796	0.027	Supported
H2	ADIB ← Awr_p	0.086	0.052	1.154	0.251	Not Supported
H3	ADIB ← Awr_Tech	0.254	0.103	2.903	0.004	Supported
H4	ADIB ← Awr_Adv	0.048	0.151	0.660	0.511	Not Supported
H5	ADIB ← Networking	0.165	0.093	2.201	0.029	Supported
H6	ADIB ← Reputation	0.215	0.107	2.469	0.015	Supported

Figure 2: Structural Model Results
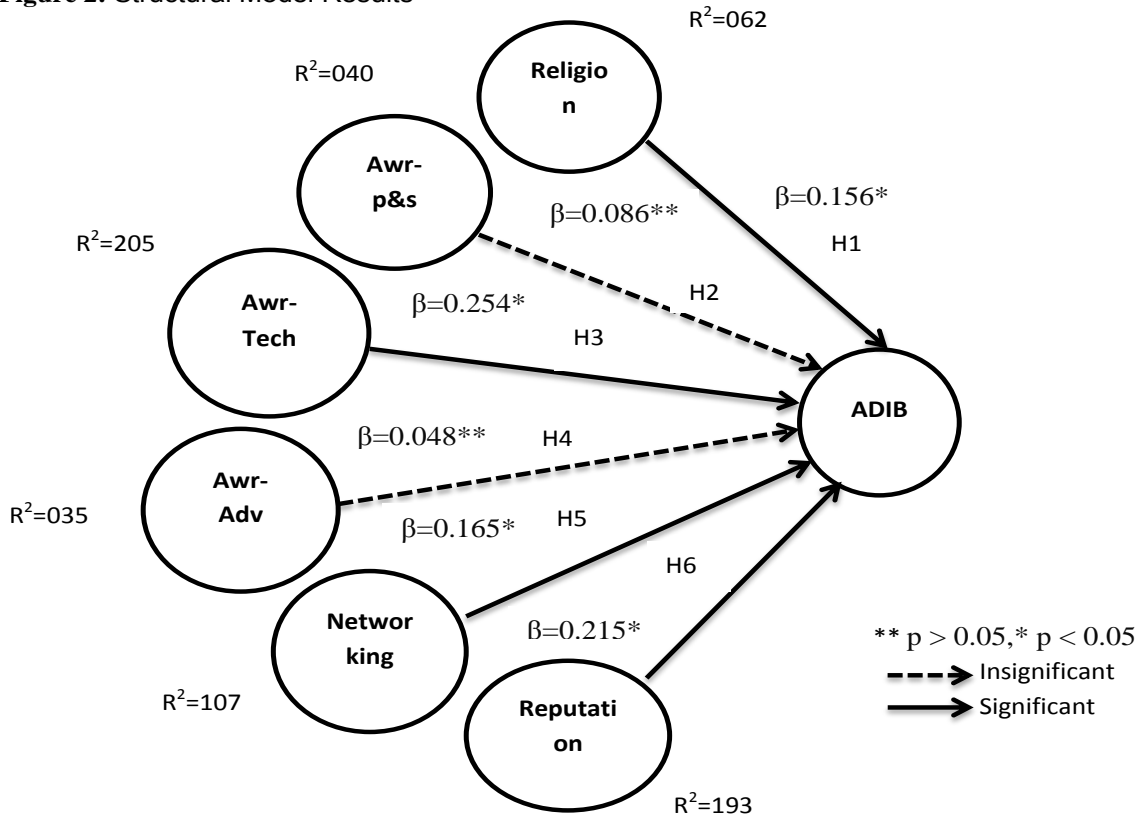
6. Discussion

The primary objective of this research has been to study Islamic Banking adoption criteria in the context of Pakistan, a developing Islamic Republic State. Islamic Banking has a sufficient potential to grow due to high Muslim population and their increasing financial needs. Current study formulated adoption criteria to Islamic Banking and its sequential importance perceived by sample population. The results inferred from the analysis permitted us to confirm the established hypotheses and to understand the association between different constructs. Now individually we discuss these finding and their implications in this section.

The foundation stone for emergence of Interest-free Banking was religion, as conventional banks were not able to satisfy global Muslim community, who wants to exercise financial transactions in consonance of Islamic philosophy. Therefore, religion should have to be most dominant reason which induces Muslims to switch from conventional interest-based banking system. Surprisingly, the effect of religion is not strongest in the adoption to Islamic Banking and the same is reinforced by the previous studies. (Erol.C and El. B. Radi, 1989; Hegazy, 1995; Naser et al., 1999; Kareem and Afiff, 2006; Rohmah, 2006; Dusuki and Abdullah, 2007; Marimuthu et al., 2010). Religion is the fourth most influencing construct in adoption to IB as perceived by respondents under current study. Reason of not ranking religion high is lack of trust i.e., Islamic Banks are not providing 100% Halal financial services which in turn stimulate customers to join conventional Banking offering relatively better service quality.

Outcomes of this study propose that awareness of financial teachings of Islam have the most significant impact on adoption to Islamic banking. This shows that people who are more aware are more likely to adopt IB. Awareness of financial teachings of Islam is all about knowhow of front desk and behind desk IB operations, i.e., funds are not invested in interest-bearing activities. Contradicting this, previous research ranked it third, whereas networking and adequate information are prior to financial teachings of Islam in adoption to Islamic Bank (Adnan et al., 2011). These results are in line with respondents' education (demographic profile), reported as 70% approx. of sample population is graduates, and qualified enough to have sufficient information regarding basic IB concepts in terms of financial teachings.

Findings of current study suggest that reputation is the second most important criteria for adoption to Islamic Banking. The results are supported by Taylor and Stanley (1999), Kennington et al (1996), who concluded the reputation as a second important factor relative to other estimators. In other words providing consistent quality services, reliability, concern for society and competitive financial products mutually develop well-reputed Islamic Bank, which consequently thrust Adoption to IB. its more challenging for Islamic Banks in Pakistan to strengthen their Islamic and financial reputation and image, particularly in current era of competition, where commercial banks are imposed by State Bank of Pakistan to establish Islamic windows.

Likewise previous study, networking is also one of the major influential factor in adoption of IB. Again it is possible to see findings of Haron et al (1994) and Adnan et al (2011) are in conformity with the current findings. It is proved that Networking is a significant antecedent of Adoption of IB, in terms of extended number of branches and more convenient branch locations.

Islamic Banks are supposed to offer a range of Islamic financial Products & Services, in order to create strong customer base. It is obvious from the findings that awareness level of people regarding product & services is low, as well as no significant relationship with adoption to IB is found. Confirmed by previous researches where people have awareness about financial teachings of Islam but there is a lack of knowledge about IB products.(Khattak and Rehman., 2010; Adnan et al., 2011; Rammal and Zurbruegg, 2006). Another link of current study is proved to be insignificant. Awareness in terms of advertisement did not have any significant relationship with Adoption to Islamic Banking. Respondents were asked to express their level of awareness created by different communication media i.e., Electronic/Print Media and outdoor. The preceding two links rejected are interrelated in the way that people are not likely to adopt IB due to lack of awareness about IB products and services, and inadequate communication efforts from Islamic Banks are not serving to persuade people attitude towards IB. These findings are consonant with previous researchers.   (Studin et al., 1994; Gerrard and Cunningham, 1997;Marimuthu, 2010).

7.   Managerial Implications

The results of this study develop and contribute in enhancing existing scope of previous research in several respects. For Islamic banking industry, it is necessary to be more active

and intensive in order to broaden the knowledge of the respondent because knowledge has a positive and significant relationship with intention to use Islamic banking services. Surprisingly customers still seem to perceive Islamic Banking as more complex and are uncertain about it. The results of this study raise number of major implications for Islamic banks.

Moreover, Financial teaching of Islam, Reputation, Networking and Religiosity are found to be most important determinants according to respondents' perception. So Bankers need to put its efforts to capitalize on these factors. Serving the customers according to their needs and demands will help them to increase their market share.

It is obvious that there is a general lack of awareness on Islamic banking. So there is a need of informative and effective advertising campaigns about Islamic Banking in order to reach to the Islamic banking customers. Advertisement through electronic/print media, internet and outdoor is more appropriate to attract Islamic banking customers. The banks must develop and implement a marketing campaign that promotes the products and services offered by Islamic banks and also its benefits together.

In order to achieve competitive advantage, Islamic banks should concentrate on their marketing efforts. The Pakistani Government participation and intervention in providing necessary arrangements for legislation and legal framework can affect the growth and development of Islamic banking in Pakistan.

8. Limitations and Future Research

While this study has revealed some interesting results about the awareness, perception, and preferences of the banking consumers of Pakistan in relation to Islamic Banking. The scope of the study covers only few areas of Pakistan. Therefore, future studies should attempt to cover the other regions of Pakistan.

One of the important limitations of this research is the use of convenience sampling. The future researchers are recommended to organize a more comprehensive probability sampling, of the setting to be studied.

Another limitation of this research is that same questionnaire is designed for both rural and urban respondents. Limited completion time for research is one of the limitations of this research. This study did not make a comparative analysis of, the various religions and races of Pakistan. Although Islam is the major religion of this state, Thus, it is recommended for future studies to make comparative analysis between the Muslim and non-Muslim banking customers, and customers of different religions in Pakistan, so that more precise results on the adoption of Islamic banking can be identified.

Limitation of this study is that here we examined six variables to determine adoption criteria. Whereas, these variables do have an impact but the extent is small, so, in future, more comprehensive model can be developed to check the perception of customers towards Islamic Banking.

9. Conclusion

Present study findings helps the relevant parties to further enhance the development of Islamic Banking in Pakistan especially on Adoption criteria preferred by the people. This analysis is attempted to identify various perceived influential factors which affect adoption to Islamic Banking. According to the results these factors can be ranked in order of importance as per customers' perception. It is evident from analysis that Awareness of financial teachings of Islam, Reputation, Networking and Religion are ranked as first four important criterions respectively. Awareness regarding Products & Services and Advertisement do not really have a significant impact on Adoption to Islamic Banking. This could be a valuable input for native banks to spread their wings in attainment broader market for their Islamic financial products.

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