

# THE PATRONAGE OF ISLAMIC BANKING: A CASE STUDY OF COMSATS UNIVERSITY, PAKISTAN

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## I. INTRODUCTION

Islamic banking is growing globally at a fast pace, and interest in this discipline has spread to almost all Muslim and non-Muslim countries. In Pakistan, the State Bank of Pakistan (SBP) has been taking fresh steps towards developing the Islamic banking sector so that it ranks among the key international industry players. It is also closely supporting inclusive Islamic financial services by establishing centres of excellence for Islamic finance. Currently, there are five full-fledged Islamic banks in the country, and 17 conventional banks operate Islamic banking windows through a network of over 1,400 branches. It is forecasted that the Islamic banking sector will double its share in the country's banking system by 2020.

Islamic finance is increasingly recognised as a viable alternative to the structurally flawed conventional finance. It is also winning the confidence of consumers. Many studies have been conducted to examine the preferences of different segments of the society regarding their adoption of, satisfaction with, or intention to use Islamic banking services. This study examines the attitudes toward, and use of, Islamic banking products and services by faculty members of COMSATS University in Lahore, Pakistan. By adopting a case study

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approach, the research highlights how a segment of the well-educated class perceives this developing industry. It also identifies the main factors that motivate faculty members of COMSATS University to patronise Islamic banks. This will assist in guiding the industry to meet the diversified needs of its growing clientele.

## II. RESEARCH METHODOLOGY

This research involves a case study of faculty members of COMSATS University to identify the key factors that influence their preference in patronising Islamic banking products and services. The independent variables that were examined include religion, advertisement, networking, reputation, profitability, quality of service, and Shari'ah-based financing modes. While the null hypothesis (H0) states that there is no significant relationship between the six independent variables and the acceptance of Islamic banking products and services among the respondents, the alternative hypothesis (H1) proclaims the opposite.

A questionnaire comprising two main sections was used to gather data to test these hypotheses. The first section consisted of questions related to respondents' demographical data including age, gender, religion and education level. The second section comprised questions that measure the six key constructs of the study. A five-point Likert scale was used when analysing the questionnaires.

A sample of 50 respondents was selected; all questionnaires were completed with no missing data.

## III. RESEARCH FINDINGS

The key research findings of this study are as discussed below.

### *a. Respondents' Demographics Profile*

The majority of the respondents (80%) were males and were academic staff of the University, designated as Assistant Professors, Associate Professors, and Professors. The education level of the

sample population included Masters, M.Phil, and PhD degrees. At the time of the survey, most respondents were between 35 to 44 years (46%) followed by those who were between 25 to 34 years (42%). The respondents were all Muslims (100%).

*b. Respondents' Patronage of Islamic Banking  
Products and Services*

About 46% of the respondents reported that they were using Islamic banks, while 54% of the respondents indicated that Islamic banks have not shown good progress to attract their interest. The majority of the respondents who were not patronising Islamic banking services believed that Islamic banks are similar to conventional banks as they found no key difference in their business operations. Nearly half of the respondents provided other reasons for not using Islamic banking services such as:

- low level of awareness;
- the services are not useful;
- the banks are not easily accessible;
- no variety of services provided; and
- expensive services.

*c. Factors Influencing the Patronage of Islamic  
Banking Products and Services*

The study found that the following factors—religion, advertisement, networking, profitability and quality of service—were significant and positively related to the patronage of Islamic banking products and services by the sample population. The other hypothesis—Shari'ah-based modes of financing—was found to be significant but negatively related to the use of Islamic banking products and services.

#### IV. CONCLUSION AND RECOMMENDATION

The study revealed that the patronage of Islamic banking products and services among the sample population depends mostly on profitability and quality of service as well as the Sharī'ah basis of the products and services. The majority of the respondents thought that Islamic banking products and services do not appear as necessarily meeting Sharī'ah requirements and could not perceive any notable difference between mainstream finance and Islamic finance. The contention of this well-educated segment of the society is that there is little to attract them to Islamic banking. It is a clear indication that Islamic banks should expend more effort to clear the doubts on their products and services as well as explain the distinctive differences as compared to their conventional counterparts.

The respondents reported that religion itself was not a motivating factor to use Islamic banking services; the actual practice and dealings of Islamic banks were more important criteria in attracting customers. They believed that there is a dichotomy between the theory of Islamic banking and the practice of Islamic banks in Pakistan. Therefore, they considered the quality of service, networking, reputation and the Sharī'ah basis of the modes of financing as essential factors for patronising Islamic banking over conventional banking. This indicates that Islamic banks should devise ways to win more support from the well-educated members of the society.

In particular, the findings of this research highlight that it is necessary to maintain a clear distinction between Islamic banking and conventional banking products and services. Specifically, it is important to emphasise the way Islamic financial products comply with Sharī'ah principles and requirements. Above all, the practice of Islamic banking should reflect quality service, good reputation and Sharī'ah adherence to attract customers.

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