

# A Survey of “Knowledge, Attitudes & Practices” of Islamic Banking Clients: An Evidence from FATA and PATA, Pakistan

Muhammad Uzair Ali<sup>1</sup>, Gong zhimin<sup>1</sup>, Muhammad Rizwanullah<sup>2</sup>, Xiong Wu<sup>1</sup> & Itbar khan<sup>1</sup>

<sup>1</sup> Business School of Xiangtan University, Xiangtan, Hunan 411105, China

<sup>2</sup> School of Public Administration Xiangtan university, Xiangtan, Hunan, China

Correspondence: Muhammad Uzair Ali, Business School & Socialist Economy Theory Research Centre, Xiangtan University, Xiangtan, Hunan 411105, China. Tel: 86-130-8721-8138. E-mail: [uzair@smail.xtu.edu.cn](mailto:uzair@smail.xtu.edu.cn)

Received: April 21, 2020 Accepted: May 16, 2020 Online Published: May 29, 2020

## Abstract

Islamic banking & Finance and conventional banking are described as having the "same purpose but the essence and operations of Islamic banking are in accordance with Shariah law and have same "basic objectives" as other business and financial entities, i.e. "maximization of shareholder wealth". The speedy development of an Islamic banking system may improve financial insertion by providing an alternative to faith sensitive Muslims who are willingly excluded themselves from the system of conventional finance due to the nature of interest based. In Pakistan, the Islamic banking system eroding the growth of conventional banking so it's worthy to explore the effect of religious belief the occurrence of a financial exclusion. The target population is from FATA and PATA maintain accounts at Islamic banks and conventional banks and a sample size of one hundred and fifty customers were picked up. The methodology focuses on the KAP Model (knowledge, attitude, practices), which indicates if attitude influences the association among “knowledge and practice” of an “Islamic banking”. Looking into KAP Analysis survey, through study result we find out that knowledge about Islamic banking and practices of Islamic banking are closely related. People having information about Islamic Banking and Products are more inclined towards Islamic Banking and people who don't have much information are less interested in Islamic banking and Islamic products. KAP survey suggested that customers of conventional and Islamic banks are driven by the same motivating factors that have impact on their attitude. However, there have some likable factors that could be valued by “Islamic bank account holders only such as “variety of products & services, reliability, confidence in bank's management, reputation and most important compliance with the Shariah rules in finance & investment.”. Low-cost services are some factors result in non-Muslims prefer Islamic Banking over the conventional banking.

**Keywords:** KAP, Islamic Banking, conventional Banking, FATA & PATA, Shariah rules

## 1. Introduction

According to Zia Uddin (2016), “Islamic banking” denotes to the manner of banking procedures in consonance with “Islamic teachings”. The system of Islamic banking becomes growing at great speed because of their value-orientated philosophy, enabling it to draw business from different ethnic groups. Moreover, State Bank of Pakistan had reported that there have been more than “300 Islamic financial institutions” functioning in almost 75 nations (Anwar, 2010). “Islamic banking” has been increasing extensively over the previous thirty years. Countries have been seeing more and more an increasing number of banks, branches and amount of capital that is invested (Khan, 2010). The speedy development of an Islamic banking system may improve financial support by providing an alternative to faith sensitive Muslims who are willingly excluded themselves from the system of conventional finance due to the nature of interest based. With a worldwide increase of the system of Islamic banking and Islamic finance, a need is being felt to find what quantity of the country's population that are interested in a system of Islamic banking. In a country such as Pakistan, where the development of an Islamic banking system is outpacing its conventional counterpart, it is significant to examine an effect of a religious belief on the occurrence of a financial exclusion. While consistent development and an increasing market- share is an indication of a growing acceptability of an Islamic banking system, it is essential to explore the reasons behind their expansion. There is need to examine whether the Islamic banking system is demand driven phenomena or a driven by the availability of the Islamic banking services by the banks, it is not an unrealistic to accept that it is mainly effect by the ethical beliefs and religion of the people. The State Bank Pakistan (SBP), which controls the Islamic banking system together with the conventional banking system in Pakistan, is involved in definition the scope and the nature of

the Islamic banking system to draw strategy implications for their additional development and growth.

### *1.1 Objective*

Current paper exploits the “knowledge-attitude-practice (KAP) survey” on Islamic banking to recognize “knowledge, attitude and practice of Islamic and conventional bank” clients in FATA and PATA (Federal Administrated Tribal Areas & Political Administrated Tribal Areas of Pakistan). The contribution of current paper is that previous researches didn’t cover FATA & PATA areas while for analysis current study has selected sample sizes from these areas.

### *1.2 Methodology*

The population targeted comprises the people who keep a bank account in either “Islamic bank or conventional bank” of FATA and PATA. Subsequently, a sample sizes of One-hundred and fifty clients with banks accounts e.g. Seventy-five customers choose from “conventional banks” while seventy-five clients selected from “Islamic banks”. The econometric technique’s emphasis on the “KAP (knowledge, attitude, practices) model” which is employed to illustrate whether practice & knowledge have an association. Moreover, current paper has been focused on motivating features that have been appreciated by “Conventional and Islamic banks”. Lastly, econometric techniques indicate that did Attitude influences the association among knowledge and practice of the “Islamic banking”.

### *1.3 Scope of the Study*

The scope of study limited to only the people of FATA and PATA. For the survey one hundred fifty customers are picked, seventy-five customers are using the banking services and products of conventional banking and rest of seventy-five are enjoying Islamic bank’s services and product offerings.

## **2. Literature Review**

In 2012, Fada and Wabekwa found that although Islamic banks are getting their market in the overall banking industry, but the difference is that the Islamic bank works within the boundaries set by Shariah, thereby discouraging interest based financing activities. Furthermore, the study also stated that Islamic banks take care of the moral and ethical standards by encouraging the real time economic activities through participatory modes of financing based on profit and loss concept. Another study conducted by Ling (2012), he mentioned that in Malaysia Islamic banks tried to aware the non-Muslims about the Islamic banking. Fada and Wabekwa (2012) also worked on the awareness of Islamic banks among the people of Nigeria. The study encouraged the state of Nigeria to fulfil its above mentioned objective of bringing awareness regarding the Islamic banking and half of the people even do not know the basic concept of Islamic banking. Hidayat and Al-Bawardi (2012) tried to find the reasons for which non-Muslims are attracted towards the different products offered by Islamic banks. The study highlights different reasons, including the provision of social benefits by interest free banking, lower costs as compare to the conventional banks highly professional and friendly staff and quick response time towards the solution of complaints. Study also stated that the concept of interest free banking has very low importance for the people to select Islamic banks but mainly the services were the main reason for the people to make the Islamic banking as banking of first choice. Hamid, Yaakub et.al. (2011) concentrated on finding out the different reasons for the consumer that why they use to opt for home financing in Islamic banking industry. The study found that race or religion has no role in this regard. Talking about the competition faced by Islamic banks, Yaakub (2011) found that Islamic banks are not only facing the completion in the local and foreign market but also non-Islamic banks give it very tough competition. The main factor that plays a vital role in effecting the preferences of the public regarding Islamic banks consist of profitability, awareness and the quality of the services provide by Islamic banks, (Doraisamy, Shanmugam et.al. 2011). Arshad (2011) compared the attitude of the “Islamic and conventional banks”. The study found that there has been more positivity in the Islamic Banks’s employees towards the Islamic products as compared to conventional bank’s employees but the knowledge level of the Islamic bank’s employees is not up to the set standard and they need to concentrate more on this area to remove this weakness. Looking at the preferences of the customer, Sheikh (2010) stated that the Islamic banking has been preferred by the customers because of interest free loans and Islamic concepts. While conventional banks have been proffered by customers because of economic benefit and covers a major part of the banking industry. Current study’s result was supported by Taseen (2010). The researcher also established that Islamic banks are mainly preferred by the customers because interest free loans while social factors was another key factor added by Osman (2009) which was considered as a crucial reason for selecting Islamic banking as a first choice. In the Klang Valley majority of the people have not adequate knowledge about the Islamic banks and their products, (Gie et.al 2010). Talking about the comparison of the procedures adopted by the two banking industries Bakr, (2010) stated that conventional banking is based on the debtor and creditor relationship and is interest based whereas on the other hand, Islamic banks are based on

the partnership and Islamic principles where the concept of both profit and loss is there. Another admirable feature of Islamic banks is its dealing in Zakat, thereby helping the poor and needy one and this practice not been adopted by the conventional banks. Islamic banks also face numerous challenges and in that list one challenge is that non-Muslim do not take the Islamic practices into consideration but they only look at the services standards provided by them, (Loo, 2010). While going for the research work Samad et.al (2010) found a gap in Islamic banking industry that most of the people do not even know about the procedures and nature of the products offered by Islamic banks, i.e. they have lack of knowledge about how these banking activities are Islamic. This study tried to remove this obstacle and bring awareness among the people about the true spirit and Islamic procedures of the Islamic banking industry. While trying to find out different reasons due to which the customers are satisfied with Islamic banks, Khattak and Rehman (2010) had found two main reasons such as Islamic banks provide multiple channels of services and offer a variety of products. Another similar nature of study conducted by Loo (2010), it was found that religion is the main factor for Muslims to opt for Islamic bank whereas for non-Muslim product and services variety was the main reason. Clients of “Islamic banks” were extra contented as compare to “conventional banks”.

Furthermore, Islamic banks were the prime choice for most of the males and conventional banks were preferred by most of the female customers (Rehman et.al. 2010) and the opinions about the service quality of banking sectors were effected by different factors, including education & gender. The Islamic banking is at its growth yet and it needs to wait long to reach at the level where it can beat conventional banks as it is growing at 10 to 15 percent per year. The main reason behind this steady growth is that people consider it new to the market and they are incredulous about the Islamic banks, (Shaari et.al. 2008). Comparing the two industries under discussion Cihak and Hesse, (2008) established their opinion that although Islamic banking are at its initial stage and they are by no means comparable as for as the profit, the size and spread level of industry is concerned, but it is also obvious that Islamic banks are growing much faster than that of conventional banks as day by day the level of awareness among the general public is increasing about the good things of Islamic banking, (Moin, 2008). Studies also found that not only the logo of being Islamic but also the excellent level of services provided by them is causing the customers to select Islamic banking. While comparing the small Islamic banks with small conventional banks Cihak and Hesse, (2008) found that Islamic banks are far ahead of conventional banks. In Australia, Muslims are preferring Islamic banks but there has been involved risks and high chances of loss, in result many of the Muslims also avoid Islamic banking and go for conventional banking, (Zurbruegg, 2007). A similar nature of study was conducted by Hassan (2007) and he found that in Pakistan, most of the people open bank accounts in Islamic banks due to the religion factor. They give value to the level of products and services on a secondary basis. While going through the literature deeply it is found that studies have selected the KAP survey for the different nature of researches, including health disease and Family Planning but current study will use KAP in the banking sector. Furthermore, previous studies have mainly targeted the motivating factors that compel the customers either to go for Islamic or convention baking, but our study will look for the effect of different motivating aspects on the liaison among knowledge and practices of the “Islamic banking”.

Mahdi et al. (2018) found that “changes in liquidity affect positively risk within Islamic and conventional banks”, suggesting Both Islamic and conventional banks tend to have riskier portfolios in case of accumulating liquid assets. Furthermore, they discovered a significant impact of the “Global financial crisis on the capital, risk and liquidity of conventional and Islamic banks”. Mohanty et al. (2016) inspect whether cost & profit efficiencies of Islamic banks and conventional banks have been same or different. Their finding suggested that cost and profit efficiencies of “Islamic banks” has been not dissimilar to that of “conventional banks”. Furthermore, the “country-specific variables” have significant impact on cost and profit efficiencies of banks operating. Their results specify that “cost and profit efficiencies” of “Islamic banks” have been more volatile than that of “conventional banks”.

### *2.1 Hypotheses:*

In light of reviewed literature, the following set of hypotheses are going to be verified:

“H01: There is no relation between the knowledge and practice of Islamic banking”.

“H02: The motivating factors for accepting Islamic banking are not similar for conventional and Islamic bank customers”.

“H03: The moderating variable – attitude - does not affect the relationship between knowledge and practice of Islamic banking”.

### **3. Methodology**

The study relates the KAP a (knowledge, attitude, practices) survey to an Islamic banking system in FATA and

PATA, Pakistan. The KAP (knowledge, attitude, practices) investigation will show the “knowledge, attitude and the practices” of clients having bank accounts in “Islamic banks or a conventional bank” in FATA and PATA. The population targeted comprises the people who keep the bank account in either “Islamic bank or conventional bank” in the area of FATA and PATA. Sample sizes of “One hundred and fifty clients” with bank accounts were nominated.

Table 1. Deceptive statistics

Variables	No of observations	Mean	Standard deviation
Sharia	150	0.113	0.05
Riba	150	0.288	0.09
Hibah	150	0.24	0.16
Wadiah	150	0.677	0.066
Takaful	150	0.94	.084
Musharakah	150	0.02	.02
Mudarabah	150	0.396	0.23
Qardhe Hassana	150	0.67	0.14
Bai Bithman Ajil	150	0.23	0.21
Ijarah	150	0.252	0.097
Deposit Product	150	0.621	0.75
Investment product	150	0.28	0.22
Financing products-equity	150	0.72	1.3
Financing products-debt	150	4.45	5.07
Trade Finance	150	5.86	5.71

Seventy-five clients designated have bank accounts in conventional banks while the other seventy-five clients have bank accounts in the Islamic bank. The sampling of seven conventional banks randomly designated such as “National Bank, Allied bank, MCB, Standard Chartered, UBL (United Bank Limited), Soneri Bank and The Bank of Punjab”. Correspondingly, Five Islamic banks have been designated such as “Meezan Bank, Bank Islami, Alfalah, Habib Bank and Standard Chartered”. The method emphasizes on the “KAP (knowledge, attitude, practices) model” which will be employed to define as practice and knowledge have an association. Moreover, current paper has been focused on motivating features that are appreciated by “conventional & Islamic banks”. Lastly, the method indicates whether “attitude influences the relation between knowledge and practice of an Islamic banking”. For the purpose of the data collection, we used questionnaires. A questionnaire technique has been planned for data collection by Merging three questionnaires from three studies such as “Ling, Ling (2012), Sheikh & Taseen (2010) and Khattak & Rehman (2010)”. It comprised a sector that “tested customers understanding of an Islamic Banking system”. The Additional unit recognized the features that can affect attitudes of different clients to an “Islamic banks” and in what way these clients seen the role of “Islamic banking” based on of these features. Seventy-five Questionnaires had been circulated between clients of “Islamic banks” and “conventional bank” clients. The random sampling procedure was employed. For the Questionnaire authentication, a “pilot study” had been employed by means of the data which has been gathered primarily from eleven Questionnaires. The paper has measured that many other variables have impact on control variable “Attitude”. Moreover, many Motivating factors” that are considered such as include “religion, reliability, range of products-services, availability of outlets, efficient & fast services, efficiency& speed of transaction, the internal comfort of branch, an experienced management team, an availability of the financial advice, an awareness program on the services, offerings of competitive products, a confidence on bank management team, minimum service charges, sharia compliance, reputation, profitability ,advertising campaigns and investment opportunities”.

In order to investigate whether or not clients have information of “Islamic banking principles and products”, Several clients had been inquired if whether they are aware and have information about of “Islamic principles and products”. The included aspects are “Riba, Sharia, Wadiah, Hiba, Mudarabha (the profit sharing), Takaful, Qarde-Hasana, Musharakah, Ijara, Bai-Bithaman Ajil, investment products, deposit products, financing products (debt based), financing products (equity based), and the trade finance”. Information investigation frequently depended

on the “Chi-square test” and determination of the “odd ratios” for study variables. “Where chi-square with n-k degrees of freedom could be given as follows”;

$$\sum_{i=1}^k (0 - 1)^A 2/e$$

“The odds ratio according to standard statistical text is the ratio of odds for two probabilities which could be computed for associations” as follows;

$$\phi = \frac{Q^1}{Q^2} \quad \text{where } Q^1 = \frac{p(A/B)}{1 - P(A/B)} \quad \text{and } Q^2 = \frac{P(A/C)}{1 - P(A|C)}$$

“ $\phi = 1$  shows no change and depicts a status quo

$\phi > 1$  indicates increase in knowledge, attitude, and practices

$\phi < 1$  indicates decrease in knowledge, attitude, and practices

#### 4. Results

The subsequent segment analyses the data collected through the Questionnaire’s technique. The given tables are created to devise conclusion. The Table 2 report figures of “banking products and Islamic principles” according different clients. For the Sharia the calculated p-value has been 0. 01% which is less than 5.0% confidence. It signifies a robust indication of against “null hypothesis” imply that there has been no link among the “knowledge & practices” of “Islamic banking”. Hereby, results represent that the knowledge about the Sharia don’t has an effect on practices of “Islamic banking”. Consequently, if these clients had better knowledge about Sharia then they will be more inclined to use “Islamic banking”.

Table 2. Banking products and Islamic principles

Variables	Chi-square (P-value)	Odds Ratio
Sharia	0.01	15.2
Riba	0.02	20.2
Hibah	0.00	12.4
Wadiah	0.00	5.1
Takaful	0.02	2.3
Musharakah	0.00	4.2
Mudarabah	0.00	4.8
Qardhe Hassana	0.03	1.9
Bai Bithman Ajil	0.00	2.9
Ijarah	0.00	3.42
Deposit Product	0.00	14.63
Investment product	0.00	14.9
Financing products-equity	0.00	18.8
Financing products-debt	0.00	21.3
Trade Finance	0.00	25.63

**Chi-square value is significant at 5% confidence level.**

Moreover, the value of “odds ratio” is 15, indicates that incase of clients have knowledge of Sharia the odds of that clients for bank account opening in “Islamic bank” is 15 times greater than an individual don’t have knowledge of the sharia. Similarly, the “Riba” value of p is 0.02 which is significant at 5% confidence level. Hereby, the experimental results rejected the null hypothesis that the association among “practice of Islamic banking and the knowledge of Riba” has been confirmed. Moreover, the “Odds ratio” value is 20. 0 which indicates that incase a person having knowledge about Riba then it has 20 time chances that person will open an account in “Islamic bank” compared to individual who doesn’t have proper knowledge about “Riba”. It is also true for all chief “Islamic banking products” such as “Wadiah, Musharakah Hibah Mudarabah, Bai Bithaman, Qard Hassan, Ijarah, Ajil, and other Islamic banking products” showed a small value of p-value which are under the threshold level at 5%

significance level. Moreover, “high odds ratios” has given a strong forms indication in the favor of that carrying greater “knowledge and information about Islamic banking financing products” allows customer to move to the products Islamic banking.

Table no 3 demonstrates that how “Islamic banking and conventional banking” customers give response to different motivational factors and shows that if there has been any difference in preference among “Islamic banking and conventional banking” clients. The Table 2 which first displays whether A religion has been motivational factor for “conventional and Islamic bank” client. So presented results are insignificant according to their values of p-value revealed in Table 2 which is 0.311 more than the 5% level of significance i.e. (0.05). So, null hypothesis is accepted that is both “conventional bank and the Islamic bank” customers have alike opinions about motivational factor, Sharia. The table 3 also suggests the perspective of “Islamic bank customers and conventional bank” clients towards motivating factors “Range of services and products”. The P-value 0.0333 which has been lower than the level of significance (0.050). The outcomes are significant statistically so the substitute hypothesis that is (H2) is accepted here i.e. conventional bank customer’s Islamic banks customer have diverse opinions towards the factor of motivation range from variety of services & products. The “odd ratio” is 3.0 which mean that the holder of “Islamic bank” have two times greater probable to favor the range of services & products than the holder of “conventional bank account”.

Table no 3 also shows the inclination of holder of Islamic bank account and conventional account holder towards the Reliability. Thus results are significant statistically as Table no 2 displays value of p i.e. 0.01. So, the Null hypothesis can be rejected according to this result. here. The “odd ratio” is 3.00 which show that account holder of “Islamic bank” has been two times more likely to be fascinated by the reliability when choosing “Islamic banking” system compare “conventional bank service. The p-value of “confidence in management of banks” has been 0.00 displayed in Table 3. Results suggest that the clients have a separate view about “motivational variable such as the confidence in management of banks”. Customers having a bank account in “Islamic bank” are three times more expected to be fascinated by motivational variable such as the confidence in management of banks” though picking an “Islamic bank” rather than “conventional bank” as indicated by the odd ratio in Table 3.

Table 3. Inclination of account holder of Islamic and conventional towards reliability

<b>Variables</b>	<b>Chi-square (P-value)</b>	<b>Odds Ratio</b>
Religion	0.31	<b>1.81</b>
Range of services and products	0.03	<b>3.32</b>
Reliability	0.01	<b>3.57</b>
Availability of the Outlets	0.45	<b>1.02</b>
Efficient and fast counter services	0.25	<b>1.012</b>
Efficiency and Speed of transactions	0.82	<b>1.66</b>
Internal comfort of branches	0.15	<b>1.40</b>
Experience management team	0.26	<b>1.61</b>
Availability of the financial advice	0.29	<b>1</b>
Services Awareness program	0.13	<b>1.63</b>
Competitive products offering	0.76	<b>1.008</b>
Confidence in management of banks	0.00	<b>3.1</b>
Minimum service charge	0.20	<b>1.44</b>
Reputation	0.01	<b>3.99</b>
Sharia rules obedience	0.02	<b>1</b>
Advertising campaign	0.19	<b>1.32</b>
Profitability	0.56	<b>1.22</b>
Opportunities of Investment	0.00	<b>1.0023</b>

**Chi-square (P-value) is significant at 5% confidence level.**

A “Bank Reputation” can be supposed as “motivating factor” by the holders of “Islamic bank & conventional bank”. The outcomes remain statistically significant. Hereby, the null hypothesis will be not accepted because the p-value 0.01. The greater “odd ratio” authorizes that the chances have been four times greater. Moreover, the “Sharia rule compliance” P-value is 0.02.

Table 4. Neutral attitudes relationship among knowledge and practices of Islamic banking”

<b>Variables</b>	<b>Chi-square (P-value)</b>	<b>Odds Ratio</b>
Sharia	<b>0.062</b>	<b>2.02</b>
Riba	<b>0.041</b>	<b>14.1</b>
Hibah	<b>0.33</b>	<b>4.41</b>
Wadiah	<b>0.31</b>	1.25
Takaful	<b>0.23</b>	<b>1.36</b>
Musharakah	<b>0.36</b>	<b>1.12</b>
Mudarabah	<b>0.36</b>	<b>4.8</b>
Qardhe Hassana	<b>0.26</b>	<b>1.9</b>
Bai Bithman Ajil	<b>0.41</b>	<b>2.00</b>
Ijarah	<b>0.21</b>	<b>1.3</b>
Deposit Product	<b>0.15</b>	<b>7.00</b>
Investment product	<b>0.19</b>	<b>5.36</b>
Financing products-equity	<b>0.29</b>	<b>7.21</b>
Financing products-debt	<b>0.24</b>	<b>6.00</b>
Trade Finance	<b>0.12</b>	<b>5.23</b>

**Chi-square (P-value) is significant at 5% confidence level.**

Table 4 shows that how “neutral attitudes” of respondents disturb association among “knowledge and the practices of an Islamic banking”. Concerning the “Riba”, experimental outcomes are significant as the P-value is 0.0410. Thus the “null hypothesis” will not be accepted and it verified that after customers have “neutral attitude” then there is an association among the “knowledge of the Riba & the practice of an Islamic banking”. Furthermore, the “odd ratio” is equal to 14 which gives us information that those persons who has a “neutral attitude” and have a knowledge about the “Riba” will 14 times more expected to use the “Islamic banking system”. While the rest of the factors are statistically insignificant because their p-value is higher at 5% confidence level.

Table 5. Negative attitude toward Islamic banking

<b>Variables</b>	<b>Chi-square (P-value)</b>	<b>Odds Ratio</b>
Sharia	<b>0.241</b>	<b>3.02</b>
Riba	<b>0.00</b>	<b>18.00</b>
Hibah	<b>0.00</b>	<b>12.00</b>
Wadiah	<b>0.00</b>	24.0
Takaful	<b>0.00</b>	<b>5.00</b>
Musharakah	<b>0.01</b>	<b>8.00</b>
Mudarabah	<b>0.87</b>	<b>8.7</b>
Qardhe Hassana	<b>0.35</b>	<b>6.21</b>
Bai Bithman Ajil	<b>0.01</b>	<b>6.3</b>
Ijarah	<b>0.00</b>	<b>1.3</b>

Deposit Product	<b>0.01</b>	<b>12.3</b>
Investment product	<b>0.03</b>	<b>10.2</b>
Financing products-equity	<b>0.02</b>	<b>13.3</b>
Financing products-debt	<b>0.001</b>	<b>16.00</b>
Trade Finance	<b>0.00023</b>	<b>24.00</b>
<b>Chi-square (P-value) is significant at 5% confidence level.</b>		

Table no 5 shows how a “negative attitudes toward Islamic banking system” affects the association between “knowledge & practice of Islamic banking system” among “conventional bank” & “Islamic bank” account holders. Sharia P-value is 0.24 which has been higher at 5% confidence level. So the alternative hypothesis can be rejected by accepting the null hypothesis that the “Negative attitude” doesn’t affect the association between “sharia” and “Islamic banking practices”. Though, for some of the “Islamic banking system principles” such as “Hibah, Riba, Ijarah, Wadiah, investment products, deposit products, financing products (equity based), financing products (debt based) and the trade finance” listed in table 4 have p-values of 0%. These outcomes are significant at 5% confidence level and gives a strong indication to reject the “null hypothesis”. In case of “Musharakah, Takaful and Bai Bithman Ajil” P-values are 0. 01, 0.00 and 0. 01 respectively. Consequently, shows that the experimental results are significant and give us a proof to accept the alternative hypothesis.

Table 5. Positive attitude toward Islamic banking

<b>Variables</b>	<b>Chi-square (P-value)</b>	<b>Odds Ratio</b>
Sharia	<b>0.01</b>	<b>71.00</b>
Riba	<b>0.03</b>	<b>5.00</b>
Hibah	<b>0.26</b>	<b>1.66</b>
Wadiah	<b>0.35</b>	<b>2</b>
Takaful	<b>0.03</b>	<b>0.21</b>
Musharakah	<b>0.08</b>	<b>0.23</b>
Mudarabah	<b>0.66</b>	<b>1.12</b>
Qardhe Hassana	<b>0.04</b>	<b>0.13</b>
Bai Bithman Ajil	<b>0.69</b>	<b>2.0</b>
Ijarah	<b>0.03</b>	<b>0.31</b>
Deposit Product	<b>0.47</b>	<b>1.87</b>
Investment product	<b>0.41</b>	<b>1.35</b>
Financing products-equity	<b>0.35</b>	<b>1.53</b>
Financing products-debt	<b>0.23</b>	<b>1.74</b>
Trade Finance	<b>0.01</b>	<b>12.2</b>
<b>Chi-square (P-value) value is significant at 5% confidence level.</b>		

Table no 5 gives demonstration about how the positive attitude affects the relationship between sharia knowledge and Islamic banking practice. The table displays a value of p which is 0.01 for Sharia which is significant statistically. Therefore, it leads to the rejection of null hypothesis. So it gives confirmation to the fact that attitude of positive nature has a momentous effect on relationship among “shariah knowledge” & “Islamic banking practices”. Hence outcomes imply that “Riba” has also been significant as the p-value is 0.03. Furthermore, outcomes for “Qardhe Hassana” have been significant as the p-value is 0.04. In the case of “Takaful”, the P-value has been 0. 03 which is significant thus “null hypothesis” can be rejected. An attitude of positive nature does have effect on relationship between takaful knowledge and Islamic banking practice. The p-value for trade finance and Ijarah is 0.01 and 0.03 respectively as it is shown in Table 5.

## 5. Conclusion



Knowledge and practice of Islamic Banking are closely related as clear from the KAP Analysis Survey. It means that people who has the know-how of Islamic Banking products and services often practice Islamic banking than those who don't know about it. In majority cases the previous researches have studied autonomously "knowledge, attitude or practice of Islamic banking" but didn't find how they are related and how the "Islamic Banking" in FATA and PATA can be affected by Attitude (Selected as moderate variable). Fada & Wabekwa (2012) studied only the awareness of dependents about "Islamic Banking" in Gombe and Nigeria. Moreover, Ling (2012) focused to find responsiveness and awareness of Non-Muslims about "Islamic Banking" in Malaysia.

The "KAP survey" findings also suggests that clients from both "Islamic and Conventional banks" alike want many of the motivating factors that have impact on moderating variable such as "Attitude". Although, there have been motivating factors that are valued by Islamic bank's clients only such as a "variety of products & services, reliability, confidence in bank's management, reputation and compliance with Shariah rules in finance & investment". Low-cost services and the quality of services like professional workforce, are some factors due to which non-Muslims prefer Islamic Banking over the conventional banking (Hidayat and Al-Bawardi in 2012). Data of Khattak and Rehman (2010) shows that customers like very much a variety of products and some channels of Islamic banking. From the KAP analysis, we can also infer that except for Riba, the relationship between knowledge and practice of Islamic banking cannot be affected by an impartial attitude. In very little cases, people of negative attitude embrace "Islamic banking" even if they know what is "Riba, Hibah, Wadiah, Ijarah, deposit products, investment products, financing products (debt based), financing products (equity based), trade finance, Takaful, Musharakah and Bai Bithaman Ajil". Though in case of "Shariah, Mudarabah and Qard Hassan and the practice of Islamic banking the association was different. The findings also show that people of positive attitude adopt "Islamic banking" when they get to know about "Shariah, Riba, Takaful, Ijarah, Qard Hassan and trade finance and practice of Islamic banking". Though, the relationship between knowledge & practice about "Wadiah, Musharakah, Mudarabah, Bai Bithaman Ajil, deposit products, financing products (both debt and equity) and investment products" cannot be affected by the positive attitude. Some previous researches have shown if account holders in Islamic banking have knowledge regarding Islamic banking. Some people have accounts in Islamic banking even they don't know the principles of Islamic banking as clear from the works of Samad et al (2010). Less of scholars have focused on that how attitude has impacts on the association among the "knowledge and practice of Islamic banking".

Current studies stress on the creation of awareness of products and services of Islamic banking because only awareness regarding anything make customers adopt things. Moreover, Islamic banking should work hard to generate positive attitude among people about "Islamic banking". It could be done through focusing on the aspects that normally create negative or positive attitude among customers from both Islamic and conventional banks. This is significant because negative attitude prohibits people of high knowledge of Islamic banking principles from opening accounts with Islamic banks. But in case of positive attitude some people go for Islamic banking due to factors like "Shariah, Riba, Takaful, Ijarah, Qard Hassan and trade finance". "Meezan bank" is giving some Islamic banking products like "Musharakah, Mudarabah, Diminishing Musharakah, Ijarah, Ijarah Wa Iqtina (leasing and promise to gift), deposit products, financing products, import and export financing". "Bank Islami" also gives the same products i.e. "deposit products, Musharakah, Mudarabah, financing products, project financing, Ijarah, and Takaful" etc. "Bank Alfala" like them delivers to their client's same services & products such as "deposit products, financing products, working capital finance, Musharakah, Mudarabah, Ijarah, and Takaful". "Habib bank" also offers the same "Islamic banking products" such as "deposit products, Musharakah, Mudarabah, Ijarah, Murahaba (sale), and financing products" etc. We can infer from the study results that spreading awareness of "Islamic banks" essentially deliver high value products & services to build optimistic Attitude and to fascinate clients.

### Acknowledgment

This work has been supported by the National Social Sciences Foundation of China project to reconstruct the dynamic mechanism of effective supply and effective demand linkage and matching through income distribution reform (project, No. 17BL012). The Chinese Government scholarship (CSC Council Beijing China), is also greatly acknowledged for providing Financial support. (CSC No.2017DFH016032).

### References

- Ahmad, A., Rehman, K., Saif, M. I., & Safwan, M. N. (2010). An empirical investigation of Islamic banking in Pakistan based on perception of service quality. *African Journal of Business Management*, 4(6), 1185-1193.
- Anwar, Y. (2012). Islamic Banking Bulletin. [Press release]. *State Bank of Pakistan, Islamic Banking Department*. Retrieved from <http://www.sbp.org.pk/ibd/bulletin/2012/IBB-sep-2012.pdf>.
- Arshad, M., Aslam, S., Razi, A., & Ali, S.A. (2011). A Comparative Analysis of Bankers' Perception on Islamic

- Banking in Pakistan. *International Journal of Economics and Research*, 2(4), 1-12.
- Bakar, M. A. (2010). BROAD DISTINCTION BETWEEN ISLAMIC & CONVENTIONAL BANKING. *Seminar on Islamic Finance, Bank Islam and Malaysian Press Institute*.
- Cihak, M., & Hesse, H. (2008). Islamic banks and financial stability: an empirical analysis. *IMF Working Papers*, 1-29.
- Fada, K. A., & Wabekwa B. (2012). People's Perception Towards Islamic Banking: A Field work study in Gombe Local Government Area, Nigeria. *International Journal of Business, Humanities and Technology*, 2(7), 55-61.
- Gait, A. & Worthington, A. (2009), Libyan Business Firm Attitudes towards Islamic Methods of Finance. *Discussion Papers in Finance: 2009-10, Griffith University, Department of Accounting, Finance and Economics*.
- Hamid, M. A., Yaakub, N. I., Mujani, W. K., Sharizam, M., & Jusoff, K. (2011). Factors Adopting Islamic Home Financing: A Case Study Among Customers of Islamic Banks in Malaysia. *Middle-East Journal of Scientific Research 7 (Special Issue of Diversity of Knowledge on Middle East)*: 47-58.
- Haque, A., Osman, J., & Ismail, A.Z. (2009). Factor influences selection of Islamic banking: a study on Malaysian customer preferences. *American Journal of Applied Sciences*, 6(5), 922-933.
- Hassan, M. (2007). People's Perceptions towards the Islamic Banking: *A Fieldwork Study on Bank Account Holders' Behavior in Pakistan, School of Economics*. Nagoya City University Japan, 467-8501.
- Hidayat, S. E., & Al-Bawardi, N. K. (2012). Non-Muslims' Perceptions Toward Islamic Banking Services in Saudi Arabia. *Journal of US-China Public Administration*, 9(6), 654-670.
- Imran, M., Samad, S. A., & Masood, R. (2011). Awareness Level of Islamic Banking in Pakistan's Two Largest Cities. *Journal of Managerial Sciences*, 1.
- Khan, F. (2010). How 'Islamic' is Islamic banking? *J. Econ. Behav. Organ.*, 76, 805-820.
- Khattak, N. A., & Rehman, K. U. (2010). Customer satisfaction and awareness of Islamic banking system in Pakistan. *African Journal of Business Management*, 4(5), 662-671.
- Ling, K. L., Ling, K. M., Pey, L. S., Hui, W. Z., & Rahman, U. (2012). Awareness of Islamic Banking Products and Services among Non-Muslims in Malaysia. *University of Tunku Abdul Rahman, Faculty of Business and Finance, Department of Finance*.
- Loo, M. (2010). Attitudes and Perceptions towards Islamic Banking among Muslims and Non-Muslims in Malaysia. Implications for Marketing to Baby Boomers and X-Generation. *International Journal of Arts and Sciences*, 3(13), 453-485.
- Mahdi et al. (2018). Relationship between capital, risk and liquidity: a comparative study between Islamic and conventional banks in MENA region. *Research in International Business and Finance*, 45(2018), 588-596.
- Mahdi, I. B. S., & Abbes, B. M. (2017). Relationship between capital, risk and liquidity: a comparative study between Islamic and conventional banks in MENA region. *Res. Int. Bus. Finance*. <http://dx.doi.org/10.1016/j.ribaf.2017.07.113>, In Press
- Marimuthu, M., Wai Jing, C., Phei Gie, L., Pey Mun, L., & Yew Ping, T. (2010). Islamic Banking: Selection Criteria and Implications. *Global Journal of Human-Social Science Research*, 10(4).
- Mohanty, S. K., Lin, H. J., Aljuhani, E. A., & Bardesi, H. J. (2016). Banking efficiency in gulf cooperation council (GCC) countries: a comparative study. *Rev. Finance. Econ.*, 31, 99-107, <http://dx.doi.org/10.1016/j.rfe.2016.06.004>
- Moin, M. S. (2008). *Performance of Islamic banking and conventional banking in Pakistan: a comparative study* (Doctoral dissertation, University of Skövde).
- Rammal, H. G., & Zurbrugg, R. (2007), Awareness of Islamic Banking Products Among Muslims. The Case of Australia. *Journal of Financial Services Marketing*, 12(1), 65-74.
- Sheikh, M. A., Taseen, U., Haider, S. A., & Naeem, M. (2010). Islamic Vs Conventional Banks in Pakistan (A case study of Bahawalpur). *Journal of Educational Research*, 2(3), 23-35.
- Sun, et al. (2014). The assets and liabilities gap management of conventional and Islamic banks in the organization of Islamic cooperation (OIC) countries. *Appl. Finance. Econ.*, 24, 333-346. <https://doi.org/>

10.1080/09603107.2013.877568

Zainol, Z., Shaari, R., & Ali, H. M. (2008). A Comparative Analysis on Bankers' Perceptions on Islamic Banking. *International Journal of Business and Management*, 3(4), 157.

ZiaUddin, A. (2016). *Islamic Banking: State of the Art*. Retrieved from [http://www.isdb.org/irj/go/km/docs/documents/IDBDevelopments/Internet/English/IRTI/CM/downloads/IES\\_Articles/Vol%202-1.Ziauddin.ISLAMIC%20BANKING.pdf](http://www.isdb.org/irj/go/km/docs/documents/IDBDevelopments/Internet/English/IRTI/CM/downloads/IES_Articles/Vol%202-1.Ziauddin.ISLAMIC%20BANKING.pdf)

#### **List of Acronyms and Abbreviations**

KAP	Knowledge Attitude Practices
FATA	Federal Administrated Tribal Area
PATA	Political Administrated Tribal Area
SBP	State Bank of Pakistan
MCB	Muslim Commercial Bank
UBL	United Bank Limited

#### **Copyrights**

Copyright for this article is retained by the author(s), with first publication rights granted to the journal.

This is an open-access article distributed under the terms and conditions of the Creative Commons Attribution license (<http://creativecommons.org/licenses/by/4.0/>).