

Knowledge, Attitudes and Practices (KAP) Survey: A Case Study on Islamic Banking at Peshawar, Pakistan

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This study utilizes the knowledge-attitude-practice (KAP) survey on Islamic banking to identify the knowledge, attitude and practice of Islamic and conventional bank account holders in Peshawar, Pakistan. The study attempts to identify whether a relationship exists between the knowledge and practice of Islamic banking. This study also tries to identify the motivating factors that affect the moderating variable (attitude) and ascertains how attitude (positive, negative and neutral) affects the relationship between the knowledge and practice of Islamic banking. For this purpose, two hundred questionnaires each were distributed among Islamic and conventional bank account holders in Peshawar. Data analysis revealed that a significant relationship existed between the knowledge and practice of Islamic banking. Furthermore, results indicated that most of the motivating factors were equally valued by Islamic and conventional account holders but some were valued more by Islamic bank holders. The study also found that a neutral attitude did not affect the relationship between the knowledge and practice of Islamic banking. However, a negative attitude dissuaded bank account customers from adopting Islamic banking even if they had knowledge of Riba (interest), Hibah (gift), Wadiah (safekeeping), Ijarah (lease, rent or wage), deposit products, investment products, financing products (debt based), financing products (equity based), trade finance, Takaful (Islamic Insurance), Musharakah (joint venture) and Bai Bithaman Ajil (deferred payment sale). Furthermore, individuals who had a positive attitude were more inclined towards practicing Islamic banking with respect to Shariah (Islamic law), Riba, Takaful, Ijarah, Qard Hassan (interest free loan) and trade finance.

Keywords: Islamic Banking, KAP, Shariah Law

Financial intermediation plays a significant role in economies worldwide as it channels funds from those with surplus funds to those with deficient funds. Both conventional and Islamic banks are a part of this financial intermediation. However, there are significant differences between the Islamic banking and conventional banking systems. Islamic banking is based on the rules and regulations of Shariah i.e. Islamic law. The main elements that make up Shariah include Quran, Sunnah, Hadith, Ijtihad, Qiyas and Ijma (Gait and Worthington, 2007). Quran is the Islamic sacred book. Muslims believe that it is the word of God and that it was revealed to the Prophet Muhammad (PBUH). Sunnah refers to the ways of living and practices of the Prophet Muhammad (PBUH) whereas; Hadith refers to the sayings of the Prophet Muhammad (PBUH). Ijtihad is practiced in circumstances where the Quran and Hadith are silent. In such situations, Islamic scholars (who have knowledge of Shariah, Quran and Sunnah) can use their intellect and experience to make a decision which is in compliance with the Islamic rules. Qiyas is deductive analogy in which the teachings of Quran and Hadith are compared in order to provide a solution to a new problem or circumstance that may occur. The literal meaning of Ijma is consensus. If any issue arises among the Muslim community, two types of consensus can be adopted. One type of consensus is Ijma al-ummah i.e. a consensus of the whole Muslim community and the other type is Ijma al-aimmah i.e. a consensus of the Islamic jurists and scholars. As, Riba

or interest is forbidden according to Shariah, it is essential for all Islamic banks' dealings, products and services, investments etc to be consistent with this principle. Islamic banks must ensure that all their transactions are legal and that they comply with the socially responsible and moral standards of Shariah. Islamic banks not only abide by the financial rules and regulations of countries they carry out their operations in but also follow Islamic business law (fiqh-ul-muamalat). It is essential that all the Islamic banks around the world have a Shariah Supervisory Board (SSB) that will keep a check on the operations of the bank to ensure that all activities are in compliance with Shariah. The SSB consists of Islamic scholars who have a clear understanding of all aspects of Islam and Shariah principles. Before any investments are made by Islamic banks, the SSB makes sure that they are consistent with Islamic principles. Only when investments are approved by the SSB, will Islamic banks go ahead. The objective of this study is to determine the knowledge, attitude and practice of Islamic banking in Peshawar, Pakistan and identify the relation between knowledge and practices. In the same context an effort is made to identify how the moderating variable - attitude - affects the relationship between the knowledge and practice of Islamic banking. The study also determines which motivating factors (that impact attitude) are preferred by conventional and Islamic bank customers. The study could provide recommendations to Islamic banks about how to attract more clients, what factors need to be focused on and what improvements need to be made in the Islamic banking system. This study only focuses on clients that have bank accounts in either Islamic or conventional banks to identify their knowledge, attitude and practices regarding Islamic banking. It does not take into account those people who do not have bank accounts. Furthermore, this study is restricted to city of Peshawar, Khyber Pakhtoonkhwa, Pakistan. Thus, the results are not representative of bank customers in other areas of Pakistan. The purpose of this study is to identify the know-how, the motivating factors affecting attitude and practices of customers (both Islamic and conventional banks) associated with Islamic banking in Peshawar, Pakistan. The aim of this study is to determine the relation between knowledge and practice of Islamic banking, which motivational factors are valued by Islamic and conventional bank customers and how attitude (moderating variable) affects the relation between such knowledge and practice. This study also aims to provide recommendations to Islamic banks to enable them to focus on those factors that customers' value and those factors that will enable them to attract more clients. This will help Islamic banks to compete effectively with its more experienced rival, conventional banks.

There is ample literature available on the topic from differing perspectives and an effort is made to outline major and recent scholarship in the field.

Fada and Wabekwa (2012) provide that Islamic banks are "market driven but with ethical and moral dimensions that are based on Islamic sharia dictates which prohibits receipt and or payment of interest but rather advocates participatory banking on profit and loss sharing". Ling, Ling et.al (2012) have worked on awareness of Islamic banking products and services among non-Muslims in Malaysia. Fada and Wabekwa (2012) highlighted awareness of individuals towards Islamic banking in Gombe, Nigeria. This study encouraged the state to create awareness regarding Islamic banking as more than fifty percent of respondents did not understand Islamic banking principles and most viewed Islamic banking as service available merely for Muslims. The study of Hidayat and Al-Bawardi (2012) identified the perceptions and motivating factors for non-Muslims towards choosing Islamic financial products. The findings showed that majority of people realized the social benefits provided by interest free banking but this was not their main source of motivation for selecting Islamic banks. Their motivation was the lower costs for the services of Islamic banks relative to conventional banks; the quality of Islamic banks' services such as professional staff and speed, etc. A minority of people preferred Islamic banking because it was interest free. The study emphasized that as non-Muslims had a favorable perception of Islamic banking, Islamic banks should exploit this segment.

Hamid, Yaakub et.al. (2011) focused on identifying the factors that have impact on the awareness and adoption of home financing provided by Islamic banks in Malaysia. Questionnaires were distributed among consumers and the results evidenced factors such as religion and race did not have an

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impact on the awareness of home financing products. "The developments of Islamic banking are increasingly challenging and face strong competition not only from local and foreign Islamic banks but also from non-Islamic rivals", (Hamid, Yaakub et.al, 2011). Doraisamy, Shanmugam et.al. (2011), undertook a survey to find out what people's thoughts were about Islamic banking in Sungai Petani. The study identified that three variables (awareness, profitability and quality) have an impact on consumer preferences regarding Islamic banking. Arshad, Aslam et.al (2011) found that the employees working in Islamic banks in Pakistan have a more positive attitude towards Islamic banking products and services than employees working in conventional banks. However, the employees of Islamic banks do not have a good understanding of Islamic banking products.

According to Sheikh, Taseen et.al (2010) the reasons why customers prefer Islamic banking include their knowledge of Islam, interest free banking etc. Whereas, the factors that attracted customers to conventional banking included economic benefits, good image globally, advanced facilities etc. Thus, this study will apply the KAP survey on Islamic banking in Peshawar, Pakistan and identify whether the moderating variable actually effect the relation between knowledge and practice, or not. Marimuthu¹, Jing, Gie et.al (2010) identified that in Klang Valley more than fifty five percent of respondents lacked knowledge of the basic concepts of Islamic banking. The creditor-debtor relationship is the foundation of the conventional banking system. Lending funds and then collecting the principle along with interest is the integral function of conventional banks, whereas, involvement in partnership business is a central function of Islamic banking (Bakr, 2010). Islamic banks also serve as a zakat (alms giving) collection centre. Zakat is a way to redistribute wealth and reduce inequality by helping the poor and oppressed. Conventional banks, however, do not deal with zakat. Loo (2010) highlights some challenges facing Islamic banks. One of the challenges is that non-Muslims are less eager to practice Islamic banking than Muslims. A study conducted in Lahore and Karachi by Imran, Samad et.al (2010) discovered that respondents had opened accounts in the Islamic banking system without having much knowledge of the principles of Islamic banking. Recent studies show that Islamic banks' performance is improving with time and so is their ability to attract clients. A study was conducted in the two largest cities of Pakistan, i.e. Lahore and Karachi, by Imran, Samad et.al (2010) to find the level of awareness among people of Islamic banking principles and how fast Islamic banking was growing. Khattak and Rehman (2010) have tried to identify the level of satisfaction of customers related to Islamic banking. The study recommended that Islamic banks and institutions provide a wider range of products and a greater number of outlets as these two factors were most valued most by customers. Loo (2010) identified the attitudes of Muslims and non-Muslims towards Islamic banking in Malaysia. From the questionnaires distributed it was found that the most significant factor that attracted Muslims towards Islamic banking was religion while non-Muslims were attracted by the products and services. Ahmad, Rehman et.al. (2010) investigated perceptions of bank customers related to the service quality of Islamic and conventional banks. A structured questionnaire was designed for the purpose. It was established that Islamic bank customers had a better opinion of Islamic banking service quality than conventional bank customers. Male customers had greater inclination towards Islamic banking while female customers generally preferred conventional banking. Also, the study found that perceptions of service quality among individuals differ due to factors like gender, education, ethnic background etc. The study of Sheikh, Taseen et.al (2010) provided that the motivating factors for customers to adopt Islamic banking included Riba-free financing, knowledge of religion, religious surroundings, facilities, and Shariah law.

Goutille (2009) carried out such a survey in the North West Zone of Somalia in order to make desired improvements in Risk Education programs according to the local needs. Another KAP survey for risk education has also been carried out in Afghanistan where another variable i.e. beliefs was added to the KAP model. The new model was called KAPB model. Modifications were made in the questionnaire in order to include this new variable. Haque, Osman et.al (2009) provided that those factors which drive customers to adopt Islamic banking include quality and availability of services, religion, and social factors.

A study conducted by Zianol, Shaari et.al. (2008) in Malaysia provided that despite having positive attitude towards Islamic banking, most respondents were not aware of the main objectives of Islamic banking such as profitability and religion. Currently, the growth of Islamic banks is 10 to 15 % per year and there are more than three hundred institutions in over fifty one states which also include the United States (Cihak and Hesse, 2008). At the advent of Islamic banks, many people were sceptical of Islamic banks' performance and survival but over the years Islamic banks have managed to become a competitor of the

conventional banks. The Islamic banks have proved through their performance that they have the potential to survive and stand on the same footing as conventional banks. (Cihak and Hesse, 2008) carried out a study to identify the differences in performance of Islamic and conventional banks in twenty countries including Iran, Pakistan, and Yemen. Z-score was used to identify stability and insolvency risks. The study discovered that in various countries, small Islamic banks had a better financial performance than small conventional banks. Moin (2008) provides in his study that conventional banks of Pakistan are more profitable than the Islamic banks in terms of PER (profit expense ratio) and ROE (return on equity). However, the performance of Islamic banks is improving in an upward trend and it is likely that Islamic banks outrun conventional banks in the near future. Zainol, Shaari et.al. (2008) conducted a study in which employees of conventional and Islamic banks in Malaysia were surveyed to identify their perceptions towards Islamic banking.

Rammal and Zurbruegg (2007) conducted research to find out whether Muslims in Australia had knowledge of Islamic banking and whether they were willing to adopt its products and services. Muslims were willing to practice Islamic banking provided the same facilities were made available to them as those of conventional banking. These facilities included ATMs, online access, and mobile services. However, many people were unwilling to buy Islamic products if there was any real chance of facing a loss in the profit and loss sharing agreements. Hassan (2007) conducted a survey in Pakistan of customers who had accounts in both Islamic and conventional banks to determine their perceptions regarding Islamic banking. The study reflected that religion was a significant motivating factor for Muslims to adopt Islamic banking.

The literature review depicts that previous studies have used the KAP survey for different purposes e.g. family planning, diseases, etc. However, it hasn't been used in the banking sector. Also, previous studies have tried to identify the knowledge of Islamic banking among customers and determine the motivating factors behind selecting banks. But none of the existing studies have specified the affect that motivating factors have on the relationship between the knowledge and practices of Islamic banking. This study will fill in this gap in literature.

Hypotheses

In view of the objectives set for the research in light of reviewed literature the following set of hypotheses are going to be tested for the study:

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

Method

This study will apply the KAP survey to Islamic banking in Peshawar, Pakistan. The KAP survey will reflect the knowledge, attitude and practices of customers who have bank accounts in either Islamic banks or conventional banks in Peshawar. The target population includes those people who possess a bank account in either a conventional or Islamic bank in the area of Peshawar, Pakistan. A subjective sample size of four hundred customers with banks accounts was selected. Two hundred customers selected had bank accounts in Islamic banks while the other two hundred customers had bank accounts in conventional banks. The sampling frame covers seven conventional banks, selected randomly, which include Allied bank, National Bank, MCB, UBL (United Bank Limited), Standard Chartered, Soneri Bank and Bank of Punjab. Five Islamic banks were selected namely Meezan Bank, Bank Islami, Alfalah, Habib Bank and Standard Chartered. The methodology focuses on the KAP model which will be used to determine whether knowledge and practice have a relationship. Secondly, the study works towards identifying motivating factors that are valued by Islamic and conventional banks. Finally the methodology signifies whether attitude impacts the relation between knowledge and practice of Islamic banking.

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For the purpose of data collection, questionnaires were used. The questionnaire was designed by combining three questionnaires; (Ling, Ling et.al, 2012), (Sheikh, Taseen et.al, 2010) and (Khattak and Rehman, 2010). The questionnaire included a section that tested customers understanding of Islamic banking. Another section identified the factors that affected attitudes of customers towards Islamic banks and then how the customers viewed Islamic banking performance on the basis of those factors. Two hundred questionnaires were distributed among customers of conventional banks and two hundred among the Islamic bank customers. The sampling technique used was random sampling. For the purpose of questionnaire verification, a pilot study was conducted by using the data collected initially from ten questionnaires.

The study considers that moderating variable, attitude, is affected by various other variables. The motivating factors being considered include religion, range of products and services, reliability, availability of outlets, fast and efficient counter services, speed and efficiency of transactions, the interior comfort of branches, experienced management team, availability of financial advice, awareness program on services, competitive product offerings, confidence on banks' management, low service charges, reputation, sharia rules compliance, advertising campaigns, profitability, and investment opportunities.

To determine whether the bank customers have knowledge of Islamic banking principles and products, the customers were asked if they were familiar and had an understanding of certain Islamic principles and products. These included Sharia, Riba, Hiba, Wadiah, Takaful, Mudarabha (profit sharing), Musharakah, Qarde Hasana, Bai Bithaman Ajil, Ijara, deposit products, investment products, financing products (equity based), financing products (debt based), and trade finance.

Data analysis mostly relies on the Chi-square test and determination of odd ratios for all included variables. Where chi-square with n-k degrees of freedom could be given as follows;

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

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

$$\phi = \frac{\alpha_1}{\alpha_2} \text{ where } \alpha_1 = \frac{p(\frac{A}{B})}{1-p(\frac{A}{B})} \text{ and } \alpha_2 = \frac{p(\frac{A}{C})}{1-p(\frac{A}{C})}$$

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

$\phi > 1$ indicates increase in knowledge, attitude, practice

$\phi < 1$ indicates decrease in knowledge, attitude, practice

Results

The following section analyses data gathered from questionnaires and applies the methods discussed in the methodology section. A number of tables are generated for deriving conclusions. Table IV.1 reports statistics about Islamic principles and banking products in view of customers. For Shariah the computed p-value is 0.000 falling pretty short of 5% significance level. This represents strong evidence against the null hypothesis i.e. there is no relation between knowledge and practice of Islamic banking. Thus, it depicts that knowledge of Shariah does have an impact on practice of Islamic banking and if customers have greater knowledge of Shariah they are more likely to practice Islamic banking.

Table 1

<i>Variables</i>	<i>Chi-square (P-value)</i>	<i>Odds Ratio</i>
Shariah	0.000	17.8
Riba	0.000	23.4
Hibah	0.000	13.6
Wadiah	0.000	6
Takaful	0.013	2.8
Musharakah	0.000	4.6
Mudarabah	0.000	5.2
Qardh Hassan	0.029	2.3
Bai Bithaman Ajil	0.007	3.4
Ijarah	0.000	3.6
Deposit Products	0.000	14.9
Investment products	0.000	15.8
Financing products- equity	0.000	19.4
Financing products- debt	0.000	22.4
Trade Finance	0.000	27.6

The odds ratio is 18 which shows that if a customer has knowledge of Shariah, the odds of him opening an account in an Islamic bank is 18 times higher than a person who does not have knowledge of Shariah. For Riba the P-value is 0.000 which is less than the significance level ($p=0.05$). This result is statistically significant so the null hypothesis is rejected and it is confirmed that there is a relation between knowledge of Riba and practice of Islamic banking. The odds ratio is 23 which means that if an individual has knowledge of Riba, there is a 23 times more chance that he or she opens an account with an Islamic bank as compared to a person who does not know about Riba. The same is true for all other main Islamic banking products like Hibah Wadiah, Musharakah Mudarabah, Qard Hassan, Bai Bithaman Ajil, Ijarah, and other financing products, as they all show very small p-values which are all below the threshold level of 5% and high odd ratios which builds strong statistical evidence in favor of having more knowledge about products enables customers to refer to Islamic banking products.

Table 2 shows how conventional and Islamic banking customers respond to various motivating factors and whether there is any difference between the preferences of the two. The table, firstly, shows whether religion is a motivating factor for Islamic and conventional bank customers. The results are statistically insignificant as p-value as shown in Table 2 is 0.411 which is greater than the significance level (0.05). Thus, the null hypothesis is accepted i.e. both the Islamic and conventional bank customers have similar views about the motivating factor, Shariah. This table also implies the perspective of conventional and Islamic bank customers towards the motivating factor, range of products and services. The P-value is 0.022 which is less than the significance level (0.05). The results are statistically significant so the alternative hypothesis (H_2) is accepted i.e. Islamic and conventional bank customers have different views towards the motivating factor, range of products and services. The odds ratio is 2 which means that an Islamic bank account holders are two times more likely to prefer the range of products and services than conventional bank account holders.

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Table 2 also depicts the inclination of conventional and Islamic bank account holders towards reliability. The results are statistically significant as Table 2 shows a P-value of 0.020. Thus, the alternative hypothesis, H_2 , is accepted. The odds ratio is 2 which shows that an Islamic bank account holder is twice as likely to be attracted by reliability when selecting Islamic banking as compared to conventional bank customers.

The p-value of the variable, confidence in banks' management is 0.003 as shown in Table IV.2. This implies that respondents have distinct views about the motivating variable, confidence in banks' management. An individual who has an account in an Islamic bank is three times more likely to be attracted by this motivating variable while selecting Islamic banks than a conventional bank account holder. This is reflected by the odds ratio in Table IV.2.

Table 2

<i>Motivating Factors</i>	<i>Chi-square (P-value)</i>	<i>Odds Ratio</i>
Religion	0.411	2.020
Range of products and services	0.022	1.744
Reliability	0.020	1.686
Availability of Outlets	0.450	1.177
Fast and efficient counter services	0.251	1.303
Speed and efficiency of transactions	0.826	1
Interior comfort of branches	0.157	1.398
Experienced management team	0.260	1.367
Availability of financial advice	0.296	1
Awareness program on services	0.138	1.539
Competitive product offering	0.768	1.084
Confidence in bank's management	0.003	2.559
Low service charge	0.207	1.503
Reputation	0.000	4
Shariah rules obedience	0.001	1
Advertising campaign	0.199	1
Profitability	0.567	1
Investment opportunities	0.000	1

Reputation is also perceived as a motivating factor by the Islamic and conventional bank account holders. The results are statistically significant and the null hypothesis is rejected as the p-value is 0.000. A higher odds ratio confirms the likelihood to be 4 times more. About Shariah rule obedience a p-value of 0.001. All other factors in the table are found to be insignificant as visible from their higher p-values.

Table 3

<i>Variables</i>	<i>Chi-square (P-value)</i>	<i>Odds Ratio</i>
Shariah	0.051	1
Riba	0.031	15
Hibah	0.237	4.5
Wadiah	0.299	1
Takaful	0.299	1
Musharakah	0.299	1
Mudarabah	0.237	4.5
Qardh Hassan	0.515	0.417
Bai Bithaman Ajil	0.299	1
Ijarah	0.299	1
Deposit Products	0.094	8
Investment products	0.109	6.250
Financing products- equity based	0.109	6.20
Financing products- debt based	0.094	8
Trade Finance	0.109	6.250

Table 3 demonstrates how neutral attitudes of respondents affect relationship between knowledge and practice of Islamic banking. Regarding Riba, the results are statistically significant as the P-value is 0.031. The null hypothesis is rejected and it is proved that when an individual has a neutral attitude, there is a relation between knowledge of Riba and practice of Islamic banking. The odds ratio is 15 which provides that a respondent who has a neutral attitude and has knowledge of Riba is fifteen times more likely to practice Islamic banking. For all other factors in the table the results are insignificant and are more than 5% level.

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Table 4

<i>Variables</i>	<i>Chi-square (P-value)</i>	<i>Odds Ratio</i>
Shariah	0.237	2
Riba	0.000	20
Hibah	0.000	13
Wadiah	0.000	28
Takaful	0.034	6
Musharakah	0.002	9
Mudarabah	0.930	1
Qardh Hassan	0.479	2
Bai Bithaman Ajil	0.006	7
Ijarah	0.000	10
Deposit Products	0.000	13
Investment products	0.000	11
Financing products- equity	0.000	17
Financing products- debt	0.000	17
Trade Finance	0.000	28

Table 4 exhibits how negative attitudes towards Islamic banking affect the relationship of the knowledge and practice of Islamic banking among Islamic and conventional bank account holders. The p-value of Shariah is 0.237 which is greater than the significance level of 0.05. Thus, the null hypothesis is accepted and it is established that negative attitude does not affect the relation of knowledge of Shariah and the practice of Islamic banking. However, for most of the Islamic banking principles such as Riba, Hibah, Wadiah, Ijarah, deposit products, investment products, financing products (debt based), financing products (equity based) and trade finance the P-values are 0.000. These results are statically significant and provide strong evidence against the null hypothesis. For Takaful, Musharakah and Bai Bithaman Ajil the p-values are 0.034, 0.002 and 0.006 respectively. The results are again statistically significant and there is strong evidence against the null hypothesis.

Table 5

<i>Variable 2</i>	<i>Chi-square (P-value)</i>	<i>Odds Ratio</i>
Shariah	0.000	85
Riba	0.002	6
Hibah	0.367	1.840
Wadiah	0.559	1
Takaful	0.025	0.250
Musharakah	0.065	0.335
Mudarabah	0.786	1.205
Qardh Hassan	0.005	0.199
Bai Bithaman Ajil	0.896	1.150
Ijarah	0.029	0.276
Deposit Products	0.585	1.392
Investment products	0.538	1.443
Financing products- equity	0.410	1.631
Financing products- debt	0.315	1.830
Trade Finance	0.000	12

Table 5 provides a demonstration of how positive attitudes affect the relation between the knowledge and practice of Islamic banking. The table shows a P-value of 0.000 for Shariah which is statistically significant. Therefore, the null hypothesis is rejected and it is confirmed that positive attitude does have a significant impact on the relation between knowledge of Shariah and the practice of Islamic banking. The results for Riba are also statistically significant as the P-value is 0.002. This further confirms the alternative hypothesis (H_3). The results for Qardh Hassan are also statistically significant as the P-value is 0.005. For Takaful, the P-value is 0.025 which is statistically significant and the null hypothesis is rejected. Positive attitude does have influence on relation between knowledge of Takaful and practice of Islamic banking. The P-values of Ijarah and trade finance are 0.029 and 0.000 respectively as shown in Table IV.5.

Conclusions

The analysis of KAP survey confirms that there is a relationship between the knowledge and practice of Islamic banking. This implies that individuals who have an understanding of Islamic banking products and services are more likely to practice Islamic banking than those who didn't. Most previous studies have focused independently either on knowledge, attitude or practice of Islamic banking. They have not tried to find out the relationship between the knowledge and practice of Islamic banking and how the

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moderating variable -attitude- affects this relationship. Such as Fada and Wabekwa (2012) focused solely on identifying the awareness of respondents regarding Islamic banking in Gombe, Nigeria. Furthermore, Ling, Ling et.al (2012) concentrated on identifying the awareness of non-Muslims regarding Islamic banking in Malaysia.

The KAP survey results, in this study, also provide that Islamic and conventional bank customers equally value most of the motivating factors that affect the moderating variable, attitude. However, there are certain motivating variables that are valued more by Islamic bank account holders. These include range of products and services, reliability, confidence in bank's management, reputation, Shariah rules obedience and investment opportunities. According to the study of Hidayat and Al-Bawardi (2012), the motivating factors for non-Muslims in choosing Islamic banking products relative to conventional banking products include low cost services, quality of services such as professional staff etc. Khattak and Rehman (2010) provided that the range of products and number of outlets were most valued by customers regarding Islamic banking. Another conclusion that can be deduced from the KAP analysis is that a neutral attitude does not have any impact on the relationship between knowledge and practice of Islamic banking, except for Riba. For a negative attitude, it was established that bank account holders who have negative attitudes are less likely to adopt Islamic banking even if they have knowledge of Riba, Hibah, Wadiah, Ijarah, deposit products, investment products, financing products (debt based), financing products (equity based), trade finance, Takaful, Musharakah and Bai Bithaman Ajil. However, this wasn't true for Shariah, Mudarabah and Qard Hassan and the practice of Islamic banking. The results also illustrate that positive attitudes lead to the adoption of Islamic banking when it comes to Shariah, Riba, Takaful, Ijarah, Qard Hassan and trade finance and practice of Islamic banking. However, positive attitudes do not affect the relationship between knowledge and practice regarding the remaining factors like Wadiah, Musharakah, Mudarabah, Bai Bithaman Ajil, deposit products, financing products (both debt and equity) and investment products. Some previous studies have identified whether customers who practiced Islamic banking and had accounts in Islamic banks, possessed knowledge of Islamic banking. Samad et.al (2010) found that customers who were not familiar with Islamic banking principles still had accounts in Islamic banks. None of the studies have focused on how attitude affects the relationship between the knowledge and practice of Islamic banking.

This study provides that Islamic banks need to focus on creating greater awareness of Islamic banking products and services among customers as knowledge leads to practice of Islamic banking. Furthermore, Islamic banks need to endeavor to create positive attitudes among customers towards Islamic banking. They can do this by concentrating on the motivational factors that lead to positive or negative attitudes towards Islamic banking among both Islamic and conventional bank customers. This is important as negative attitudes can prevent individuals from opening an account with an Islamic bank even if they have knowledge of certain Islamic banking principles. Whereas, positive attitudes can influence individuals to select Islamic banking in case of some factors i.e. Shariah, Riba, Takaful, Ijarah, Qard Hassan and trade finance. Meezan bank is offering a variety of Islamic banking products such as Musharakah, Mudarabah, Diminishing Musharakah, Ijarah, Ijarah Wa Iqtina (leasing and promise to gift), deposit products, financing products, import and export financing, etc. Bank Islami provides similar Islamic banking products such as deposit products, Musharakah, Mudarabah, financing products, project financing, Ijarah, Takaful etc. Bank Alfalah also provides customers with Islamic banking products such as deposit products, financing products, working capital finance, Musharakah, Mudarabah, Ijarah, and Takaful etc. Habib bank also provides similar Islamic banking products like deposit products, Musharakah, Mudarabah, Ijarah, Murahaba (sale), financing products etc. This study implies that Islamic banks not only need to create greater awareness but also need to provide improved quality products and services to create positive attitude and attract customers.

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Received: May, 14th, 2014
Revisions received: Feb, 23rd, 2015