

Islamic Banking: Role of Customer's Perception and Awareness to make it competitive with Conventional Banking

ESMAT KAZMI¹, MUHAMMAD JAMIL²

Abstract

The present study aims to highlight the issues related to the growth of Islamic Banking. Because of various modes of Islamic banking, the banking system is growing not only in Muslim countries but also in non-muslim countries. Likewise, Islamic banking is also growing in Pakistan in terms of its market capitalization as well as its banking accounts. However, despite the dominance of Muslims in the Islamic Republic of Pakistan, the growth of Islamic banking is not up to expectations. The present study aims to highlight the issues that create hurdles in the growth of Islamic banking. Based on the survey from the users and non-users of banking, the study postulates the reasons for the slow growth of Islamic banking. This study analyzes the customers' perception and awareness level towards the IBI. It further investigates the relationship between different demographic variables and the perception and awareness of customers. A sample of 267 respondents from different regions of Muzaffarabad was selected. For the analysis, descriptive statistics & Logistic regression was adopted to check the relationship between demographic variables and perception and awareness. The respondents expressed their perception of some of the services and expressed dissatisfaction with few. Customers indicate that they are aware of different products but do not adopt these products.

Keywords: Islamic banks, Financial practices, Public perception & awareness, Muzaffarabad.

Introduction

Financial intermediation is an insidious characteristic of all world economies. It is a process of channeling funds or financial resources from surplus units of the economy to deficit spending units of the economy. Islamic banks, like their western or conventional counterparts, are in the business of financial intermediation and running also for the profit motive. The banking industry plays an important role in economic development. Banking activities are very important for a healthy economy. The century expanded commercial and business activities from large-scale establishment Product. Banking has gained importance as a necessary facility to promote business

¹ The University of Azad Jammu & Kashmir, Muzaffarabad, Pakistan. syedaesmatkazmi25@gmail.com.

² Kashmir Institute of Economics, The University of Azad Jammu & Kashmir, Muzaffarabad, Pakistan. m.jamil@ajku.edu.pk.

Operation. In today's global and borderless market, product/service and customer quality Satisfaction improves the performance of banks for successful survival.

There are two banking systems in Pakistan, namely Islamic Banking and Traditional banking or conventional banking. Islamic Bank (IB) and Traditional Bank (TB) OR CB can be differentiated by their objectives; Riba and risk sharing vary based on practice. IB follows the Shariah principle provided by Almighty Allah while CB follows the man-made SOP; CB earns from fixed interest while generating income in the form of variable profit; In IB the risk is shared between the lender, the borrower, and the bank, while in CB the total risk is transferred To others; While IB is a business-based entity, CB acts as a pure financial intermediary interest-based transaction.

The Islamic banking system was introduced in the twentieth century quarter, and the concept though the Islamic banking system is old. The Islamic Banking system (IBS) was introduced there for a reason financial institution required for Muslim clients. It can meet their needs and demands. Because on what does the traditional banking industry depend entirely? The interest-based system is forbidden in Islamic Sharia rules. So, Muslims need an organization that provides them with an Islamic platform for their financial Transaction.

Islamic finance is financially defined and implemented primarily for compliance with a service or product. The main sources of Shariah are the Holy Quran, Hadith, Ijma, Qiyas, and Ijtihad. IBS is based entirely on the Islamic Sharia Concept, which excludes the factor of interest. We have seen for the last two decades growing the practicality of Islamic banking. Islamic banks have continued to grow in size and numbers. The main objective of these banks is Social and economic success. Development through financial distribution Services following the principles and teachings of Islam.

In other words, Islamic banks like their conventional counterparts are financial intermediaries, managers, and administrators of people's money or financial assets. They are market-driven but ethical and moral dimensions that are based on the Islamic dictates of Shariah, which prohibits the receipt and/or payment of interest, but rather advocates participatory profit-loss sharing banking. Islamic banking, also known as interest-free banking, is not the only type of banking that is based on profit and loss sharing or the one that operates on an interest-free basis but is the only one that is most developed and has international acceptance. Although Islamic banking is based on Islamic religious law, it is not a religious bank that is limited to people of any religion or creed as many people mistakenly imagine. Her products and services are universally accessible to all individuals of all races and creeds who desire or aspire to lead financial transactions that are interest-free and that are following the principles of Islamic Shariah law. A key element in this banking system is the interest-free rule, which means that users of products

or services in Islamic banks cannot earn or pay interest on loans because the principle on which this system of banking is based is established and prohibits any predetermined interest in business dealings. Second, all forms of investment must be made for legally and morally sanctioned reasons. It, therefore, requires that every activity or transaction that Islamic banks must be scrutinized through legal and moral filters to determine their worth businesses and or whether they are based on the principles of Islamic Sharia law. This is no different from the conventional notion of ethical investing or social responsibility.

The first step towards the implementation of IBS in Pakistan was taken when the State Bank of Pakistan was formed in 1980. Customers are one's primary source of income in Industry. A conventional banking system (CBS) is an interest-based banking System. It gives bail to its customer about its return on investment. CBS sets its market much earlier because it was introduced on CBS Founded in the middle of the sixteenth century and Five centuries is a very long time in any industry. This suggests competing with IBS & CBS.

An important point regarding a client's inclination towards the Islamic banking system is to know what the client's goals are when deciding to adopt an Islamic banking system. According to the Islamic banking philosophy, Islamic banks differ from traditional banks in that they essentially conduct transactions.

The Research objectives are:

- to estimate the customers' awareness of Islamic banking
- to estimate the effects of economic, socio-economic, and demographic variables on customers' awareness regarding Islamic banking
- to estimate the effect of religiosity of the individuals on their awareness regarding the Islamic banking
- to estimate the perception of respondents toward Islamic banking

Review of Literature

This chapter discusses a comprehensive summary of previous research on the comparative analysis of customers' awareness of Islamic banking and conventional banking. We were unable to find any exact study on our topic but some of the related studies to our topic have been reviewed in detail below. Banks are conflicting in an exceedingly modest environment to provide superiority concerned with Services according to customer prospects. Islamic banks appear inflexible in cooperation with traditional banks in their economy. Altered features of banks Researchers study e.g. Setups, service quality, employee satisfaction, Customer satisfaction, financial products, bank capacity, financial performance, etc. Numerous studies have struggled to assess the quality of services/products

offered by banks. Customers become the hub for all banking Activities due to increased competition for more market share. Focus on banks' Customer population characteristics to assess their needs. Every bank is trying to improve enactment by improving the quality of service to suit customers' approximations. Many Islamic banks started operations in Pakistan during this time for the past few years. A study is needed to evaluate bank services and their consequences: Customer satisfaction and performance quantity.

Iqbal and Munawar (2001) define Islamic banking as on the liability side, we organize funds based on Mudaraba or Wakala (agent) agreements. We can also agree to take demand deposits preserved as interest-permitted loans from customers to shariah banks. Performances as an investment manager for fixed deposit holders commonly referred to as investment deposits. Moreover, equities and trading of commodities and assets are an essential part of Islamic banking. Islamic banks share net profits with depositors agreeing to the size and maturity period of each deposit. Depositors must give advance notice of the method used to share net continues with the bank. ”

In the same perspective, Iqbal (2001) accompanied a study on Islamic and conventional banks. It has 12 banks in its study model comparing Islamic and traditional baking in the nineties. The author deliberates on the development of the Islamic banking industry during 1990-98 to the extent of the yearly growth rate for some key variables of Islamic banks such as total equity, total deposits, total investments, total assets, and total income. Although the Profit Ratio (PR) of Islamic banks is in line with international criteria, they conclude that the depositors of traditional banks assure their principal amount and therefore less risk than the depositors of Islamic banks. It happens. Therefore, depositors of Islamic banks expect higher returns to offset the supplementary loss.

Khattak and Rehman (2010) accompanied a study on customer satisfaction and awareness of Islamic banking in Pakistan. This study evaluates the level of customer satisfaction and awareness of IBI. It further examines the association between different demographic variables and Customer satisfaction and indulgence. For analysis, the Kruskal Wallis & One Way ANOVA was adopted for inspection. Some expressed satisfaction with the services, while others expressed dissatisfaction. Customers know about different products but suggest not accepting these products. The study shows that most of the customers are not aware of the different Islamic banking products such as Ijara financing, and Murabaha financing.

In addition, Buchari et al. (2014) conducted a study on “The Employees' Awareness and Attitudes Towards Islamic Banking Products: a Survey of Islamic Banks in Bahrain”. Based on a detailed investigation of 102 comprehensive data on employees of five Islamic trade banks in Bahrain, the study determined that the respondents were

mostly aware of Islamic banking products but did not convention it. This and most of the respondents have a positive attitude towards Islamic banking practices. This research always expresses the standard of employee awareness and attitude towards Islamic banking products and services in Bahrain. This information will be valuable for further evaluation and benchmarking of employee affordability in Islamic banking and financial institutions.

Ringim (2013) conducted a study on the “Perception of Nigerian Muslim account holders in conventional banks toward Islamic banking products”. The personal awareness factor is organized in the form of opinions or observations that can encourage. Customer’s decision to protect Islamic banking products and services. Field level survey was conducted and the sample was prepared Proportional Stratified Simple Random Sampling technique. For data analysis using SPSS And PLS modeling software. The concluding results are; Islamic Banks can tap into and market different categories of clients. Moving forward from those concerned with the legitimacy of the feature, those who seek an Islamic approach and quality, convenience, and effective service transaction.

Moreover, khafafa (2013) conducted a study on “Customer Satisfaction and Islamic banking awareness in the Islamic Banking Window System in Libya”. This study examines the level of awareness of Libyan consumers on various Islamic products such as understanding of the main concepts of banking Services such as Mudarbah, Musharkah, Murabaha, and Ijarah. The scholar used Cronbach’s Alpha to measure the dependability questionnaire. Studies have shown that there is a positive and significant relationship Between the constructs of customer satisfaction and quality of service such as clarity, responsiveness, assurance, and responsiveness, with the exclusion that the consistency parameter does not affect customer satisfaction.

In addition, Belwal and Maqbali (2018) piloted a study on the A study of customers’ perception of Islamic banking in Oman. This study’s objectives are to evaluate consumer perceptions about Islamic banks and IB windows in Oman. Subsequent semantic patterns and investigative study Design, data together through personal interviews with a group of 60 respondents from two of the pioneers. The study originate that Oman customers had mixed feelings about Islamic banks. When Some of them were not sure whether the banks adhered to Islamic principles, most of them did not open a bank account. This study exposed some weaknesses in the areas of staff knowledge of their operations, marketing performance, products, and customer transactions.

Contech and Hassan (2021) conducted a study on “an analysis of public perception of Islamic banking in the Gambia. This paper seeks to analyze the assumptions Gambian masses towards Islamic banking. A sample size of 459 respondents collected by

questionnaire surveys was used to collect research data and the method adopted quantitative with a descriptive-co-inventor research design. Findings show that the Gambians are generally positive and aware of Islamic banking.

Chaouch (2017) This study examines the awareness of Tunisian customers regarding the principles and products of Islamic banks and their perception of concerning the fundamentals of Islamic banks' principles and how they differ from them conventional banks. Data was collected by questionnaire. Data analysis was based on descriptive statistics and the Mann-Whitney test. The results indicated limited knowledge of Islamic banking services and products and showed the occurrence of a positive public perception of Islamic banks regarding Islamic standards. However, uncertainty and skepticism about transparency and profit sharing, and losses were recorded for some clients.

In addition, Rustam et al. (2011) conducted a study on the "perceptions of corporate customers towards Islamic banking products and services in Pakistan". In this study three main parameters were discussed; usage of conventional and Islamic banking facilities, understanding of the Islamic banking system & personal experience. For analysis primary data were used with descriptive statistics. Finally concluded remarks on this study are that Islamic banking products and services had the great potential within the Pakistani corporate sector.

Moreover, Saina et al. (2011) conducted a study on the "consumer awareness and usage of Islamic banking products in South Africa". Non-probability sample methods were used. Muslims are aware of Islamic banks, but their rate of use is low. The results show that if Islamic banks wanted to fascinate and retain customers and remain relevant in the South African context, they would have to develop appropriate strategies designed to meet customer needs. Religion as the only motivation for the selection of Islamic banks is insufficient.

In the same manner, Hassan (2007) conducted a study on "people's perception on the way to the Islamic banking: A fieldwork study on bank account holders behavior in Pakistan". Respondents have limited knowledge about Islamic banking or no knowledge. This research study is the result of the pioneering field work done so far in Islamic banking in Pakistan. Therefore, only be taken as indicative and perceptive convincingly.

Ali (2018) conducted a study on "service quality from Customer Perception: Comparative Analysis between Islamic and conventional banks". Quality of service and Consumer perceptions of primary Islamic and traditional banks in Brunei are investigated by comparative analysis of customer perceptions about the quality of service between the two bank customers Carter's service is done using the quality model. The judgments of the study show that the customers of Islamic Bank

had better service quality and were more satisfied with the services provided compared to traditional bank customers.

The same study by Aisyah (2018) was conducted on “Islamic Bank Service Quality and Its Impact on Indonesian Customers’ Satisfaction and Loyalty”. Consumers are still skeptical of its professionalism. Excellence in the quality of products and service remains sufficient for customer satisfaction and the data set was analyzed in this research using Path analysis for loyalty testing of direct effect and Sobel test for the indirect effect. The result shows that the quality of Islamic banking services in Indonesia affects customer satisfaction and loyalty. However, customer satisfaction does not affect customer loyalty, both directly and indirectly. That means consumers are still dissatisfied with it Services provided by Islamic banks.

In the same manner, Shabbir (2019) conducted a study on the “Nexus between customers.

Preference and operation of conventional banks Islamic windows in Pakistan”. This study performs a comparative analysis and makes connections between them traditional banks, and Islamic and Islamic windows of traditional banks. The statistical package of the social sciences was used in this study software for data analysis. The consequences show that Islamic windows customers have serious controversy over its Shariah compliance. Technology’s substantial impact on better service qualities and positive change in customer behavior was observed.

Numerous studies have been conducted on the performance, perception, awareness, and service quality of Islamic banking and conventional banking throughout the world. Different countries are Pakistan, Bahrain, Nigeria, Libya, Oman, Brunei, Indonesia, Malaysia, Uganda, Bangladesh, Saudi Arabia, Tunisian, and South Africa. Furthermost of the studies are empirical in nature. Few theoretical studies are found.

The hypotheses of the Research

H_0^1 : demographic variables have no significant effect on customer awareness about Islamic banking in Muzaffarabad.

H_0^2 : use of banks has a significant effect on the awareness of customers about Islamic banking in Muzaffarabad.

H_0^3 : Income has a significant effect on the awareness of customers about Islamic banking in Muzaffarabad.

H_0^4 : Religious education has no significant effect on customer awareness about Islamic banking in Muzaffarabad.

H_0^5 : work status has no significant effect on customer awareness about Islamic banking in Muzaffarabad.

H_0^6 : The performance of Hajj/Umrah has an insignificant effect on customer awareness about Islamic banking in Muzaffarabad.

H_0^7 : profit and loss sharing in Islamic banking has an insignificant effect on customer awareness about Islamic banking in Muzaffarabad.

Data and methodology

Measures

The questionnaire was designed in the light of different research papers. The questionnaire consists of four sections in which section (A) was about the banking section. Section (B) consists of detailed questions about the perception of Islamic banking and conventional banks. Section (C) consist of short-term introduction about the fundamental terms of Islamic banking. Section (D) consists of demographic information & religiosity of the respondents.

Sample

In the study the sample size was 267, the respondents were selected from banks of Muzaffarabad and those respondents those are not a customer of banks, but to check awareness. The questionnaire was distributed to different Islamic bank customers who visited different branches at different official times to minimize the possibility of bias. These questionnaires were delivered to customers visiting the bank as a walk-in to deposit, withdraw, use an ATM, or get feedback in the same place to maximize the response rate of respondents. Random sampling was used in this study. The respondents are the customers of Hbl, Faysal bank, Bank Al-Habib limited, Allied bank, JS bank, National bank, Bank of Azad Jammu & Kashmir, MCB, Alflah bank, Meezan bank, UBL, Summit bank, Bank Islami. The chosen banks were selected based on their tenure of operations in the country, size & local presence.

Procedure

The questionnaires were filled by the account holder and other customers of the full-fledged Islamic banks and the different conventional banks with Islamic windows. The questionnaire was distributed to different Islamic bank customers who visited different branches at different official times to minimize the possibility of bias. These questionnaires were delivered to customers visiting the bank as a walk-in to deposit, withdraw, use an ATM, or get feedback in the same place to maximize the response rate of respondents. Random sampling was used in this study. The respondents are the customers of Hbl, Faysal bank, Bank Al-Habib limited, Allied bank, JS bank, National bank, Bank of Azad Jammu & Kashmir, MCB, Alflah bank, Meezan bank, UBL, Summit bank, Bank Islami. The chosen banks were selected based on their tenure of operations in the country, size & local presence.

The basic query that was tried to be resolved was “to know about the awareness level, perception of customers and the reasons behind dealing with Islamic banking of the Pakistani customers towards Islamic banking system. To resolve this query a survey was conducted in the Muzaffarabad major areas by distributing and filling out a questionnaire from the respondent.

Stock market data and portfolio construction

The basic objective of this study is to construct and test the performance of internationally diversified SCEPs where weights of a particular country-level index are driven by relative exposure to political risk. In the first step, stock-level data is used to construct country-level Scep and CEP portfolios. The price data of all stocks listed on the main index of a country is obtained from COMPUSTAT on a monthly basis.

Results and Results Discussion

Table 1 shows the result calculated using descriptive statistics. Projects the perceptions of the participants regarding the study through a questionnaire distributed to them by the researchers of the study and the results are derived using descriptive statistics. The questions may be different from the ones used in questionnaires that is because to avoid plagiarism. The majority of the participants agree with the questions asked in this study.

13.53 percent of the participants of the study strongly agree with the view that the reason behind the introduction of the Islamic banking system was the prohibition of interest in Islam which is practiced by the conventional banking system and 30.08 percent of the participants also agree with that view. Only 19.77 percent of the participants were of neither agree nor disagree view which means a smaller number of participants were not aware of the Introduction of Islamic banking. 17.29 percent of the participants of the study disagreed with this view and 29.32 percent of them strongly disagreed with this view. The mean value of 2.81 and lower standard deviation value which is 1.47 explains that an average number of participants agree that the main point behind the introduction of Islamic banks was the prohibition of interest, it means that they think there were some other reasons too behind the introduction of Islamic banks and there may be a reason that they don't have the idea of differentiating between Islamic banks and conventional banks these results are also in line with therefore Islamic banks needs to give more awareness to the public so that the misconceptions in their minds can be cleared.

The 93questionn on which the participants were asked to give their opinion was whether the operations of Islamic banks are under shariah compliance or not. Only 7.87 percent strongly agree response was received from the participants and 29.96 percent of the participants agreed to the concept while 22.10 percent of the audience

neither agree nor disagree with this concept, 19.10 percent of the participants disagreed with the concept while only 20.60 percent strongly opposed the idea. The mean value of 2.85 and a lower Standard deviation value of 1.27 explained the strong response from the participants regarding the practice of Islamic banks. It means that most of the public is aware of the practice of Islamic banks regarding shariah compliance.

In the third statement, only 25.47 percent of the participants have agreed to the concept that Islamic banks can only remove interest through the profit and loss sharing principle and a greater number of participants have disagreed to this concept the percentage of participants in this view is 28.46 percent. 22.85 percent of the participants have remained neutral to this concept and 17.60 percent of the participants strongly disagreed with the concept while none of the participants strongly opposed the statement. The higher mean value of 2.72 and a lower value of standard deviation which is 1.18 explains that a strong positive response among the participants has been reached in this concept. This means that most of the public is aware of this concept but still, some awareness is needed to be raised to the public so that they can understand the basics of Islamic banks.

The fourth statement of the study asked about the profit and loss sharing principle is the only principle that can replace interest in case of associating with Islamic banks in which only 8.24 percent of the public was of the strongly agreed opinion and 26.97 percent of the participants have agreed to the statement while 27.34 percent of the participants have remained neutral on this concept this may be because they are not fully aware of the principles of Islamic banks. On the opposite side, 13.48 percent of the participants disagreed with this concept and none of them strongly disagreed with this concept. The higher mean value of 2.72 and relatively lower standard deviation value of 1.18 explains that the participants have reached a standard consensus on this concept.

Table 1: Descriptive Analysis of Perception of Customers about Islamic Banking comparison with conventional banking.

Sr. No.	Question	strongly disagree	Disagree	neither agree nor disagree	Agree	Strongly Agree	Mean	Std. Dev
1	"Islamic Banking system was introduced because Muslims were prohibited from receiving interest".	29.32	17.29	9.77	30.08	13.53	2.81	1.47
2	"Islamic bank operates under Shariah compliance and strictly follow Shariah Law".	20.60	19.10	22.10	29.96	7.87	2.85	1.27
3	"I consider the profit of the banking transaction before dealing with the bank".	17.60	28.46	22.85	25.47	5.24	2.72	1.18
4	"In operation of the Islamic banking, profit and loss sharing principle is the only principle that can replace interest".	13.48	23.60	27.34	26.97	8.24	2.92	1.17
5	"By associating themselves with Islamic banks people will become more ethical in their values".	14.98	20.22	22.10	28.46	13.86	3.06	1.28

6	“Islamic banking products and services available in Pakistan are similar to products and services of conventional banks, except the different names used by the bank in highlighting those products”.	16.48	20.22	32.58	22.10	8.24	2.85	1.84
7	“Islamic banking is about the unique quality of products and services they provide and not about competing on price”.	24.34	21.35	26.97	22.10	4.49	2.68	1.69
8	“There is high potential for Islamic banking products in Pakistan”.	25.09	23.60	16.85	24.34	9.74	2.70	1.34
9	“Islamic banks could provide lower cost products and services compared to conventional banking”.	16.85	29.96	21.72	23.97	7.12	2.74	1.20
10	“Conventional banks charge more than the Islamic banks”.	18.35	23.22	26.22	23.22	8.16	2.80	1.23
11	“Enough marketing is done to create awareness about Islamic products and services in Pakistan”.	22.10	23.97	22.47	22.85	8.24	2.71	1.27
12	“Islamic banks goal is not only limited to maximization of shareholders wealth but also includes enhancement of the standard of living and welfare of society”.	19.85	18.73	26.97	25.47	8.24	2.85	1.26

13	“Conventional banks can contribute more to social balance, prosperity, and welfare (sustainable development)”.	23.22	19.48	22.10	26.97	7.87	2.77	1.30
14	“Conventional banks use more modern technology (Online banking, ATMs, etc.) as compared to Islamic Banks”.	20.97	26.22	17.60	25.09	9.74	2.76	1.30
15	“Conventional banks pay the higher returns as compared to Islamic Banks”.	16.48	22.85	22.10	25.09	13.11	2.95	1.29
16	“Conventional banks pay the reliable as compared to Islamic Banks”.	20.22	19.48	27.34	24.72	7.87	2.80	1.24
17	“Conventional banks concentrate more on the advertisement/promotional activities as compared to Islamic banks”.	17.23	23.60	23.22	24.72	10.49	2.88	1.26
18	“Islamic and conventional banks are complete substitutes for each other”.	28.09	19.85	27.34	17.23	6.74	.11	.31

The fifth question is about the ethics of Islamic banks. Only 13.86 percent of the respondents strongly agreed with the statement, 28.46 percent of the respondents agreed to this concept, 22.10 of the respondents have remained no idea about this statement, 20.22 respondents disagree form this statement, only 14.98 of the respondents have strongly disagree view. A higher mean value of 3.06 and a relatively lower standard deviation of 1.28 explains that the standard concept reached among respondents.

The sixth question of the study asked about the product and services of Islamic banks in relevance to the conventional banks in Pakistan. 8.24 percent of the participants strongly agreed with the statement that there is no difference between the product and services of Islamic banks and 22.10 percent of the participants agreed with this concept. 32.58 percent of the participants have remained neutral in this statement while 120.22 percent of the participants have opposed this concept and 16.48 percent have strongly opposed this concept. A higher mean value of 2.85 and a relatively lower standard deviation value of 1.84 explains that a standard concept is reached among participants. This means that participants of the study have less understanding of the services and practices of Islamic banks and there is a need for educating them about the product and services which are offered by Islamic banks as compared to conventional banks.

In the seventh statement, the researchers asked that Islamic banks offer a unique quality of product and services rather than competing in price and only 4.49 percent of the participants strongly agreed to this statement while 22.10 percent of the participants also agreed to this statement and the majority of participants which remained neutral were 26.97 percent. The number of participants who opposed this statement was 24.34 percent and none of them strongly opposed this. The higher mean value of 2.68 and a lower standard deviation value of 1.69 show that a strong consensus is among the participant on this statement.

In the eighth statement of the study, the researchers asked about the potential of Islamic banking in Pakistan and whether it is high or not. Only 9.74 percent of people in the study strongly agreed with this statement and 24.34 percent agreed with it too while 16.85 percent of the respondents remained neutral on this statement. 25.09 percent of the people disagreed with this statement and 23.60 percent of the people strongly disagreed with this statement. The high mean value of 2.70 and a lower standard deviation value of 1.34 means that participants agreed with this statement.

In the ninth statement of the study, the researchers asked the participants' views about the lower cost products and services compared to conventional banking in which 7.12 percent of the people strongly agreed to this perception and 23.97 percent of participants also agreed on this concept which is a high percentage. 21.72 percent of

the participants have remained neutral on this statement and none of them disagree or strongly disagree with this statement. The mean value of 2.74 and relatively smaller value of standard deviation which is 1.20 means that the participants have an average view of this statement.

In statement number ten, results show that the views about conventional banks charge more than Islamic banks. 8.16 percent of the respondents strongly agreed that conventional banks charges more than Islamic banks. 23.22 percent of respondents also agreed to this concept. The majority of the respondents remained neutral about this statement. Only 18.35 percent of the respondents strongly disagreed with this statement and 23.22 percent also disagree opinion. The mean value of 2.80 and relatively smaller value of standard deviation which is 1.23 means that the participant has an average view of this statement.

In the eleventh statement, participants responded to the marketing of Islamic banks in Pakistan. 8.24 percent of the participants have strongly agreed that the marketing of Islamic banking till now is enough to create awareness about the products and services of Islamic banks in Pakistan and 22.85 percent of the participants have also agreed to this concept while 22.47 percent of the participants have remained neutral on this point. On the opposite side, 23.97 percent of the participant don't agree with this point and 22.10 percent strongly disagreed with this statement. The higher mean value of 2.71 and relatively lower standard deviation value of 1.27 means that participants strongly disagreed with this statement.

In the twelve statements of this study, the researchers asked about the goal of Islamic banks which 8.24 percent of the participants strongly agreed with the statement and 25.47 percent of the participants also agreed with this statement. 26.97 percent of the participants remained neutral on this statement while 18.73 percent of the participant disagreed with this question and only 19.85 percent of the participants strongly disagreed with the statement that shareholders' wealth maximization is not the only goal of Islamic banks but enhancement of the standard of living and welfare of the society is also the goal of Islamic banks. A higher mean value of 2.85 and a lower standard deviation value of 1.26 mean that the participants have a stronger view of this statement.

Statement thirteen is conventional banks can contribute more to social balance, prosperity, and welfare (sustainable development). Only 7.87 percent of the respondents have an opinion of strongly agree with this statement & also 26.96 percent of the respondents agreed. Some of the respondents still have no idea & information which is 22.10. On the opposite side, only 19.48 percent of the respondents disagree & 23.22 percent strongly disagree. A higher mean value of 2.77 and a lower 1.30 standard deviation shows the average perception of the respondents.

In the fourteen-statement participant responded to conventional banks use more modern technology (Online banking, ATMs, etc.) as compared to Islamic Banks. Few respondents strongly agree with this statement which is 9.74 percent of the respondents & also 25.09 percent of the respondents agreed. Only 17.60 respondents were neutral and no idea on the opposite side majority of the respondents disagreed with this view which is 26.22 percent of the respondents and 20.97 percent of the respondents have strongly disagreed with the statement. A higher mean value of 2.76 and lower standard deviation of 1.30 gives comprehensive results that the perception of this statement is average.

The fifteen questions of the study asked about Conventional banks paying higher returns as compared to Islamic Banks. 13.11 percent of the participants strongly agreed to the statement that conventional banks pay higher returns as compared to Islamic banks and 25.09 percent of the participants agreed to this concept. 22.10 percent of the participants have remained neutral in this statement while 22.85 percent of the participants have opposed this concept and 16.48 percent of percent have strongly opposed this concept. A higher mean value of 2.95 and a relatively lower standard deviation value of 1.29 explains that a standard concept is reached among participants.

In the sixteen statements, only 7.87 percent of the participants agreed to the concept that Conventional banks pay the reliably as compared to Islamic Banks and a greater number of participants have agreed to this concept the percentage of participants in this view is 24.72 percent. 27.34 percent of the participants have remained neutral to this concept and 20.22 percent of the participants strongly disagreed with the concept while none of the participants strongly opposed the statement which is 19.48 percent. The higher mean value of 2.80 and a lower value of standard deviation which is 1.24 explain that a strong positive response among the participants has been reached in this concept. This means that most of the public is aware of this concept but still, some awareness is needed to be raised to the public so that they can understand the basics of Islamic banks.

In seventeen statements participants responded to conventional banks concentrate more on advertisement/promotional activities as compared to Islamic banks. Only 10.49 percent of the participants strongly agreed that conventional banks concentrate more on advertisement as compared to Islamic banks so there is a need to advertise Islamic banking products & services and 24.72 percent of the participants also agreed to this concept while 23.22 percent of the participants have remained neutral on this point. On the opposite side, 23.60 percent of the participant don't agree with this point and 17.23 percent strongly disagreed with this statement. The higher mean value of 2.88 and relatively lower

standard deviation value of 1.26 means that participants strongly disagreed with this statement.

In the final statement, results show that only 6.74 percent of the respondents strongly agreed about the Islamic and conventional banks are a complete substitute for each other & few also agreed to form this statement which is 17.23 percent of the respondents. On the opposite side majority of the respondents have a strongly disagreed opinion on this statement having a percentage of 28.09 and 19.85 percent of the respondents disagreed from the opinion. The lower mean value of .11 and higher standard deviation shows that the perception of this statement is that participants do not think that Islamic and conventional banks are complete substitutes for each other because of the difference in the products & services of Islamic and conventional banks.

Table 2 presents the distribution of users of the bank. Based on the respondents' profile in this study, the amount of respondents based on gender shows 31.84% of respondents are female while 68.16% are male, and the age of participants had been divided into five ranges. The youngest range of participants' ages is 18-30 years old, with a percentage of 85% & this age group participated in the survey more as compared to the others age group. Next is a participant with age 31-40, with a percentage of 9%. 41-50 age group has a percentage of 2%. 51-60 age group have participated only 1% of the sample. Followed by 0.37% of the total number of participants who were above 60 years old. 0.75% of respondents do not respond. Further results about the family type of the respondents, the majority of the respondents have a joint type family structure which is 62.92 percent. 29.59 percent of the respondents have a nuclear type of family. Few of the respondents have an extended type of family which is 2.62 percent. Only 2.62 percent of the respondents do not respond in regards to family type. There are 74.91% of respondents have been ever married & 24.72% of respondents have not ever married. Only 0.37% of respondents not responded. The various number of dependents such as adults which is a mean value of 1.84 the population, children which are 1.338 mean value & elder persons 1.808 the respondents.

Table 2: Demographic information of the respondents.

		Freq.	Percent
Gender	Male	182	68.16
	Female	85	31.84
Age	18 to 30 years	228	85.39
	31 to 40 years	26	9.74
	41 to 50 years	7	2.62
	51 to 60 years	3	1.12
	more than 60 years	1	0.37

	Not responded	2	0.75
Family type	Nuclear	79	29.59
	Joint	168	62.92
	Extended	13	4.87
	Not responded	7	2.62
Marital status	No	200	74.91
	Yes	66	24.72
	Nor responded	1	0.37
Numbers of dependents	Adults	162	1.84
	Children	157	1.338
	Elder persons	151	1.808

Table 3 shows that the education of parents is 39.33 percent related to Master qualified, few have educational qualifications just graduate level which is 19.10, some of them qualified at just intermediate level, and only 1.12 percent of parents of the respondents Ph.D. qualified. Because of the lack of resources in the past or opportunities. According to the official statistics, Muzaffarabad is a city with a majority of the population following Islam. Data obtained from a survey indicating the religion of the respondents is also very close to official statistics showing that 98% are Muslims whereas 1% is a Christian community in the region of Muzaffarabad.

Table 3: Educational Qualification of respondents and parents of respondents

		Freq.	Percent
Education of the respondents		2	0.75
	Middle	13	4.87
	High	3	1.12
	fa/fsc	36	13.48
	Graduate	103	38.58
	Masters	106	39.70
	Ph.D.	1	0.37
	Not responded	3	1.12
Education of the respondents' parents	Primary	20	7.49
	Middle	9	3.37
	High	16	5.99
	fa/fsc	21	7.87
	Graduate	36	13.48
	Graduate	51	19.10
	Masters	105	39.33
	PhD	6	2.25

	Not responded	3	1.12
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Table 4: Religiosity information of the respondents.

Religion		Freq.	Percent
Religion	Islam	264	98.88
	Christianity	3	1.12
How frequently do you offer prayers?	regularly (5 times)	176	65.92
	Sometimes	79	29.59
	Weekly	6	2.25
	Others	4	1.50
	Not responded	2	0.75
Do you observe fasts in Ramadan	regularly	204	76.40
	Sometimes	44	16.48
	Weekly	2	0.75
	Others	3	1.12
	Not responded	14	5.24
Performance of Hajj by respondents	No	231	86.52
	Yes	35	13.11
	Not responded	1	0.37
Performance of Hajj by respondent's parents	No	216	80.90
	Yes	49	18.35
	Not responded	2	0.75
Performance o Umrah by respondents	No	235	88.01
	Yes	30	11.24
	Not responded	2	0.75
Performance o Umrah by respondent's parents	No	208	77.90
	Yes	58	21.72
	Not responded	1	0.37
Have you ever read Quran with translation?	No	107	40.07
	Yes	159	59.55
	Not responded	1	0.37
Have anyone read Quran with translation:	No	110	41.20
	Yes	156	58.43
	Not responded	1	0.37
Have anyone among the parents got any religious education	No	92	34.46
	Yes	174	65.17
	Not responded	1	0.37

Do you pay Zakat?	No	131	49.06
	Yes	133	49.81
	Not responded	3	1.12
Do you study religious books	No	48	17.98
	Yes	214	80.15
	Not responded	5	1.87
How often do you recite the Quran	regularly (5 times)	119	44.57
	Sometimes	114	42.70
	Weekly	22	8.24
	Never	2	0.75
	Others	5	1.87
	Not responded	5	1.87

Table 4 gives results of offered prayers of the respondents, majority of the respondents offer prayers regularly five times a day which is 65% of the respondents. 29% of the respondents sometimes offer prayers and some of them on weekly bases which is 2% of the respondents. Only 0.75% of the respondents did not respond to prayers. Results of the observation of fasts in Ramadan, the majority of the respondents do fasts on regular bases which is 76% of the respondents. Few respondents do not observe fasts on regular bases which is 16% of the respondents & only 5% of the respondents do not respond.

It also represents results about the performance of Hajj by respondents 86% of the respondents do not perform Hajj but some of them perform Hajj which 13% of the respondents and only 0.37% of the respondents do not respond & that the parents of respondents perform Hajj which is only 18.35% but a majority of the respondents' parents do not perform Hajj which is 80.90% of the respondents.

The majority of the respondents do not perform Umrah, which is 88.01%. Some of them performed Umrah which 11.24% of the respondents. The respondents' descriptive shows that the majority of the respondents do not perform Umrah which is 77.90 percent & 21.72 percent performed Umrah. Only 0.37 percent do not respond.

Furthermore, it gives results about reading Quran with translation, the majority of the respondents read Quran with translation 59.55 percent of the respondents. Few of the do not read the Quran with translation which is 40.07 percent of the respondents. Only 0.37 values are missing. The description of table 3 shows that most of the family members of the respondents read Quran with translation which is 58.43 percent and only 41.20 percent did not read Quran with translation. Missing values in this descriptive are 0.37 percent.

For religious education, it shows that the majority of the respondents got religious education which is 68.91 percent of the respondents. 30.71 percent of the respondents do not get any religious education. Only 0.37 percent of the respondents did not respond regarding religious education. In table 3 descriptive statistics show that most of them got religious education which is 65.17 percent & 34.46 percent not got RE. Only 0.37 values are missing.

The table shows zakat payment of the respondents, so 49.81 percent of the respondents pay zakat, and also 49.06 percent do not pay zakat. Only 1.12 percent of values are missing. The study of religious books. Most of the respondents' study religious books which is 80.15 percent. 17.98 percent of the respondents were not interested in religious books. Only 1.87 percent missing descriptive, majority of the respondents recite the Quran with translation which is 44.57 percent & similarly 42.70 percent of the respondents recite the Quran with translation sometimes. Few respondents recite weekly which is 8.24 percent, and only 0.75 percent of the respondents never recite Quran with translation.

Table 5 gives results about the profession, the majority are Government employees and the least are a businessman. Some of them belong to the farmer which is 8.99 percent of the respondents. The majority of the respondents have assets house shop and vehicles which is .38. Few of the respondents have agricultural land with a mean value of 27.

Table 5: Economic variables of respondents.

		Freq.	Percent
What is your profession?	Student	87	32.58
	government employee	91	34.08
	Professional	31	11.61
	Business	7	2.62
	Farmer	24	8.99
	Other	12	4.49
	Not responded	15	5.62
What assets do you have?	House shop	.38	.486
	Vehicle	.38	.494
	Agriculture land	.271	.445
	Shares/investment	.128	.346
	Not responded	.38	.486

Table 6: Descriptives of Bank related variables.

		Freq.	Percent
Do you use a Bank?	No	88	32.96
	Yes	179	67.04
How satisfied are you with your bank?	Highly satisfied	43	24.02
	Satisfied	21	11.73
	Neither satisfied nor dissatisfied	27	15.08
	Dissatisfied	25	13.97
Are you aware of where the bank is utilizing the funds?	Fully Unaware	56	31.82
	Unaware	22	12.50
	Neither Aware nor Unaware	27	15.34
	Aware	19	10.80
Any of your family members working in a bank	No	209	78.28
	Yes	54	20.22
	Not responded	4	1.50

Table 6 shows that 32.96% of the respondents do not use the bank & 67.04% of the respondents use the bank. For using a bank reason is to save money. Most of the bank users are highly dissatisfied with their bank because of the lack of complete knowledge of their policies. Respondents of conventional banks don't know even the terms & conditions of account opening; they don't know what type of account they want to open. Zakat was deducted without permission. Islamic bank users are not familiar with the shariah. Furthermore, most of the bank users are fully unaware of the utilization of the funds, and some of them are fully aware. Some respondents are neither aware nor unaware of where the bank utilizes their funds. The table shows the result, most of the family members of respondents are not working in the banking sector which is 78.28% of the total sample. But some family members are working in the banks which is only 20.22% of the total sample. Only 1.50% of the respondents did not respond about working with their family in the bank.

Table 7: Summary statistics (Awareness about fundamental terms).

	N	Mean	Sd	Min.	Max	
Gender	Male	182	.404	.224	0	1
	Female	85	.419	.243	0	1
Age Group	18 to 30 years	228	.415	.23	0	1
	31 to 40 years	26	.365	.26	0	.95
	41 to 50 years	7	.332	.187	.175	.65
	51 to 60 years	3	.442	.029	.425	.475
	more than 60 years	2	.525	.	.525	.525
	None	2	.262	.371	0	.525
	Primary	13	.412	.17	.2	.725
Educational Group	Middle	3	.308	.144	.225	.475
	High	36	.444	.218	0	1
	fa/fsc	103	.423	.23	0	1
	Graduate	104	.386	.243	0	.95
	Masters	1	.475	.	.475	.475
	0	200	.406	.232	0	1
Marital Status	1	66	.416	.226	0	1
	Islam	260	.411	.23	0	1
	Christianity	3	.233	.038	.2	.275
	Hindu, Sikh, or others	.				
How often do you pray?	regularly (5 times)	173	.415	.232	0	1
	Sometimes	79	.397	.227	0	.9
	Weekly	6	.413	.298	.2	1

Have you performed Hajj?	Never	4	.325	.178	.125	.475
	No	228	.417	.231	0	1
Have you performed Umrah?	Yes	35	.355	.217	0	1
	No	232	.411	.226	0	1
Have you read Quran with translation?	Yes	30	.398	.262	0	.9
	No	106	.407	.22	0	1
Have you got any religious education	Yes	157	.41	.237	0	1
	No	81	.389	.193	0	1
Do you study religious books	Yes	182	.418	.244	0	1
	No	48	.401	.235	0	1
	Yes	211	.413	.229	0	1

The awareness of masters qualified respondents has more than the graduation level. Most master's level respondents are Government employees like bankers & teachers. Because of the social connection, they are aware of Islamic banking fundamentals terms which is .475, graduate respondents also have awareness which is .386, some of them are students and mostly completed their degree and work in private sectors. Those respondents who are not educated do not know Islamic banking which is .262. However, primary, middle, and high levels also little bit of information & knowledge about Islamic banking Married respondents have more awareness about Islamic banking basic & fundamentals terms Riba, Shariah, Ijarah, Murabaha, Mudarbah, Musharkah, Istisna, Qard Hassan, Sukuk and Takaful which is .416, and unmarried have the least awareness about Islamic banking which is .406.

This table also shows that the respondents who have regularity in their prayers, those who often regularly (5 times) pray have sufficient knowledge about Islamic banking which is .415 of the mean value, and a total of 173 respondents regularly often pray. Respondents have also some knowledge about Islamic banking those who have not regularly prayed but often pray sometimes which is .397, respondents who are never often prayed to have the least awareness about Islamic banking which is .325.

From the area of research, most of the respondents have awareness about Islamic banking belonging to the Islamic religion which is .411 of the mean value because of the religion they are more aware of Islamic banking. In our data We also have some Christian communities, they are not fully aware of Islamic banking but have a little bit of knowledge about Islamic banking terms which is a mean value of .233 and at the opposition side Hindus, Sikhs or others are not on our survey, we didn't find any other religion in the Muzaffarabad, majority of the respondents belong to the Islamic religion.

The majority of the respondents have sufficient awareness about Islamic banking those who have not performed Hajj & Umrah but are aware of Islamic banking which is .417 & .411 of the mean value greater than the standard deviation which show's that they are more aware. In comparison, those who have performed Hajj & Umrah have less knowledge which is .355 & .398 of the mean value.

Respondents have more awareness about Islamic banking terms than those who read the Quran with translation which is .41 at the opposite side respondents who do not read the Quran with translation also has a little bit of knowledge but as a comparison

to those who read Quran with translation have less knowledge or aware about Islamic banking.

Finally, the table shows the results about religious education and the study of religious books, majority of the respondents who got religious education & study religious books have more awareness about Islamic banking terms but those who do not get any religious education & do not study religious books insufficient awareness about Islamic banking. So there is a need to educate the people of Muzaffarabad about religious education and the government should arrange/organize awareness sessions about Islamic banking in the region of Muzaffarabad, we observed there are no such policies for the awareness of the general public in Muzaffarabad, so they are unaware of Islamic banking. I felt that the awareness session was important for the awareness of the general public in Muzaffarabad. When the general public is aware of Islamic banking then they promote it without awareness people think that it's just a myth not the reality of Islamic banking.

Determinants of Awareness regarding Islamic Banking

This section presents the estimated model, which is specified in the previous chapter. We have taken primary data for analysis by regression. To find the significance of the data we have used the Logit method by using Stata software version 14 in the below table 5.4.1. Focused to find the relationship between awareness of Islamic banking and the demographic parameters of the population in the country. The dependent variable in our model is awareness of Islamic banking.

Table 5.10 shows the results of the estimation of customers' awareness of Islamic banking. To analyze the relationship of the variables and to check the significance of the variables with the dependent variable. Some variables are highly significant and show positive relation to awareness, some variables are negative and insignificant. Based on the information of Logit regression, we found that the independent variable of gender has a positive coefficient, but it is insignificant at a 5% of the significance level. This finding indicates that there are no significant differences between males and females regarding the awareness variable.

Table 1B: Summary statistics: Political risk and stock returns in developing markets.

Variable Name	Variable notation	Coefficient	Std. Err.	Z	P>z	Significance	C.I	X
Gender	gen	0.084	0.077	1.090	0.275	-0.066	0.234	1.296
Age	age	0.014	0.117	0.120	0.904	-0.215	0.243	1.148
Family type	ftype	0.014	0.080	0.170	0.862	-0.142	0.170	0.718
Marital status	M status	-0.025	0.106	-0.240	0.811	-0.233	0.182	0.227
Education	edu	-0.012	0.018	-0.680	0.499	-0.047	0.023	14.213
Work status	wstatus	-0.104	0.079	-1.320	0.187	-0.259	0.051	0.366
Profit/Loss sharing in Islamic banking	PLS	0.057	0.031	1.820	0.068	-0.004	0.117	2.833
High potential for Islamic banking products	HPIB	0.118	0.029	4.020	0.000	0.061	0.176	2.616
Use of bank	UB	0.159	0.073	2.190	0.029	0.016	0.301	0.653
Shares/Investment	SI	-0.210	0.124	-1.690	0.091	-0.454	0.033	0.139
Income	lincome	0.118	0.051	2.310	0.021	0.018	0.218	11.433
Hajj/Umrah	humra	0.012	0.081	0.150	0.882	-0.147	0.171	0.319
Religious education	RE	0.035	0.076	0.460	0.648	-0.115	0.184	0.699
Constant		-9.345	3.049	-3.06	.002	-15.321	-3.368	
Total Obs:	216							
Dependent variable:	di_Aw1(Awareness)							
R ²	0.1785							

*Significant at 5% level

Another independent variable age also has a negative insignificant level, but its coefficient shows a positive value, meaning that the age of the respondents does not show a significance level. So, there is no effect of age on the awareness of Islamic banking. The family type of respondents shows a positive coefficient, but its significance level is negative at 5% level of significance. This finding argues that the joint and extended family types have more awareness about Islamic banking as compared to the nuclear type of family.

Another variable marital status has a negative coefficient and shows an insignificant level of significance. This means there is an inverse relationship between the marital status of the respondents and awareness of Islamic banking. A negative coefficient suggests that the independent variable (marital status) increases, and the dependent variable tends to decrease.

The education of respondents shows a negative coefficient and negative significant level of 5% of the significance. Meaning that the mean value is less than zero. Both variables move in the same direction. This finding argues that the higher the level of education among the population, the higher the probability of awareness about Islamic banking. Furthermore, the coefficient of work status is not significant but the coefficient for work status is negative. This is justified by the fact that the majority of the respondents who are aware and not aware of IB closely have the same flow of deviation in the profession that is highlighted in the question.

One of the important variables in our estimation is the use of banks that had direct linkage without the research topic, and it shows a positive coefficient and is highly significant in the model. This result shows that the customers of the bank population have a positive relationship with the dependent variable (awareness). Deep analysis of this variable in the model estimations discovered that the majority of the bank users in our Survey were aware of Islamic banking. Meaning that the level of awareness depends on the usage of the bank in Muzaffarabad. People who use banks are more aware of Islamic banking as compared to non-user.

Profit and loss sharing is another variable of the regression which indicates the difference between Riba-free and Riba-based banking systems namely Islamic and conventional banking showing a positive coefficient and negative significant level. Similarly, a positive coefficient was observed for the variable of high potential for Islamic banking products in Pakistan while it is significant at a 6% of significance level in the model. Explanation of this variable gives the idea that the people who somehow know about the existence of Islamic banking potential for IB

products in Pakistan are more likely to be aware of Islamic banking than the others who do not know about the potential for IB products.

Shares & Investment is another variable of the logit regression which indicates the difference in raising capital of the country and distinguishes the interest-based & interest-free financing, showing a negative coefficient and negative significant level of the model, meaning it shows an inverse relationship between the variables. The most important variable in our model is the income of the respondents which has a direct linkage with the awareness of Islamic banking, and it shows a positive coefficient and is highly significant in the model. These results argue that when the income of the respondents increases awareness will also increase.

Another important variable in our estimation is the religiosity of the respondents, religiosity depends on the performance of Hajj & umrah, which has a direct relationship with awareness of Islamic banking, and it shows a positive coefficient and is negatively insignificant in the model. This result shows that the relationship between awareness about Islamic banking and religiosity has an inverse relationship. Those who performed Hajj & umrah had less awareness of Islamic banking.

The same variable in our research is the religious education of the respondents like recitation of the Quran with translation, Study of religious books. Has a positive coefficient and is negatively insignificant, meaning that there is inversely proportional to awareness.

Conclusion

Islamic banking is a financial system based on Islamic financial rules. This concept is widespread today. Various types of models based on Islamic financing methods are available today. A fundamental requirement for Islamic banks and financial institutions is Shariah compliance. In this study, we have performed research on the comparative Analysis of Customers' Perceptions and Awareness about Islamic banking. Firstly, we articulate previous studies related to customers' awareness and perception in Pakistan and foreign countries but we cannot find any study related to the customers' perception and awareness in Muzaffarabad. The study fills an important gap in the literature that of exploring the awareness and perception of Islamic banking and the qualities/characteristics customers needed from Islamic banks. Knowing the reasons for the awareness of respondents in Muzaffarabad.

For the data collection primary method used, data were collected by distributing questionnaires among the different Islamic and conventional banks such

as Bank al-Habib limited, Faysal bank, Meezan bank, Habib bank limited, Bank of Azad Jammu & Kashmir, Allied bank, Summit bank, data were collected from the Development Authority Muzaffarabad, solution 360 Muzaffarabad, teachers of school(Government and private schools), Students of Boys degree collage and students of university of Azad Jammu and Kashmir, and survey conduct in different areas of Muzaffarabad (Upper Chattar, Ambore, Domail, Sethi Bagh, Gulshan colony, Lower plate, Khawaja Mohallah, Eid-Ghah, Chella, Chatter Klass). A total of 267 responses were analyzed using SPSS and Stata 14. Descriptive statistics are used for the demographic attributes of the respondents and their relationship with the perception and awareness of Islamic banking. While regression test is applied to analyze the relationship between respondents' awareness and respondents' demographic, social, and economic norms. We used Most of the respondents who were male and educationally most fall under the master's degree category. Their highest age rank falls between 18 -30 years.

A finding indicates that the perception of the public towards Islamic banking in Muzaffarabad is generally positive. The study found that most of the bank users in Muzaffarabad are aware of Islamic banking and a prominent majority of them have a basic knowledge of the fundamentals and main product of Islamic banks. We also found that there is a positive relationship between public awareness of Islamic banking and the demographic of the population. But the general public is not aware of Islamic banking in Muzaffarabad, they are not aware of the basic terms but show a positive perception.

This study indicates that many of the respondents were unaware of different Islamic products Ijara, and Murahaba. It indicates that the Islamic banking industry along with the State bank of Pakistan and with the collaboration of the government of Pakistan needs to organize seminars, and workshops to make Islamic banking awareness for the public.

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