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The Tendency of Customer Toward the Acceptance of Islamic Banking in Bahawalpur Pakistan

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ABSTRACT

The study aims to determine consumers' perceptions of Islamic banking. Research should focus on identifying variables that influence bank selection, such as convenience, service quality, bank reputation, and religion. These factors affect Islamic finance acceptance. This study uses descriptive methodology to examine variables related to the current situation. This study surveyed 300 Islamic banking clients in Bahawalpur area of Punjab, Pakistan. This study indicates that religious conviction has a positive and significant effect on Islamic banking acceptability. This study contributes to the understanding of the factors influencing Islamic banking acceptability. In addition to reputation, there is a positive correlation between acceptance of Islamic banking and other characteristics (e.g., quality of service, ease of use, family, and friend relationships). Based on the findings of this research, Islamic banks will be in a position to identify variables that influence customer selection criteria. Further, research funding and time are limited, making it difficult to conduct broader research. It is particularly interesting that this study focuses on a region of Bahawalpur in the southern Punjab region; while recent studies have looked at entire nations, this study focuses on a region of southern Punjab. We will be able to determine how different variables influence Islamic banking acceptance based on the results of this study. Additionally, we will be able to assess the adaptations Islamic banks will need to make. The purpose of this study is to assist organizations in improving their operations as a means of increasing client loyalty. As a result of this research, the industry will be in a position to develop and implement effective strategies to operate in the southern Punjab region.

Keywords

Religious Belief, Bank Reputation and Image; Relative, Friends and Family Influence, Convenience, Service Quality,

JEL Classification

G43; H53; I63

1. Introduction

The Islamic banking is an aspect of finance that complies with religious and Shari'ah laws. Extra taxes on loans, or riba, are forbidden under Shari'ah. Putting money into companies that sell products or provide services forbidden by Islam is prohibited, or wrong. Islamic banking is an

innovative concept. The global Islamic financial system was created using western banking models, which are not compliant with Islamic Shari'ah. In essence, it is the exclusion of interest from financial transactions, which results in interest-free banking, sometimes called Islamic banking. Islamic banking is exciting and loyal worldwide. Various financing options, such as Ijarah, Mudarabah, and Musharaka, are provided by Islamic banking (Iqbal et al., 2022; Iqbal et al., 2023). Islamic banks compete with mainstream financial organizations. To sustain their market share, Islamic banks must continue to provide high-quality goods and services. Islamic banks pool revenues and losses to raise capital. Islamic banks are based on interest rates, whereas Western banks are not. Those on the other hand are based on an agreed-upon but unverified return rate. A riba and a gharar are prohibited under Shari'ah law (Echchabi et al. 2019) say Islamic banks should determine their clients' investing preferences and implement methods that suit them (Selvanathan et al., 2018). The only difference between Islamic banking and conventional banking is that all transactions are interest-free and conducted according to Islamic law (Iqbal et al., 2023).

Globally, Islamic banking is developing rapidly. Muslims adopt Islamic banking, as do Americans and Europeans. The first Islamic bank to introduce Islamic banking was Dubai Islamic Bank. 300 Islamic banks and financial institutions worldwide hold \$300 billion worth of assets. Nearly 300 Islamic banks exist in 51 countries. There is a possibility that Islamic banks may grow by 15% (Herliansyah et al., 2020). Islamic banks align their investments with Islam's priorities under Shari'ah law. Islamic banks are no different from other financial institutions in their organization, goals, and legal procedures. Due to their Islamic explanation, they are unique. Shari'ah laws and Islamic bank objectives should be followed. Conventional banks offered Islamic banking services as Islamic banking became more popular worldwide. Islamic banking institutions were challenged by this. Islamic banks have transparency. Their Shari'ah board oversees bank operations and investments. Islamic banks offer a variety of financial services, including Mudarabah, Musharakah, Musawahmah, Ijarah, Istisna, Bai Muajjal, Bai Salam, and Ijarah (Samsudeen et al., 2022; Iqbal et al., 2023).

Islamic banks and conventional banks competed to oversee the Islamic financial system through stringent regulations and rules. The competition opened Islamic desks. Islamic banks are subject to fierce competition on the contemporary market due to their benefits. Islamic banking attracts Muslims and non-Muslims (Maryam et al., 2019; Iqbal et al., 2023). Islamic banks operate under Shari'ah rulings, allowing them to conduct business within Shari'ah principles. They can operate within Shari'ah's boundaries and adhere to its general objectives. This makes the study of Islamic banks easier. Private sector financial institutions aim to maximize returns. However, income maximization is a general proposal that needs to be detailed. The criteria for each module should be determined, including increasing deposit forms, improving customer service, expanding bank services, protecting resources, and ensuring healthcare and social services. Islamic banks' success factors are based on real-world realities, with research focusing on these factors (Iqbal et al., 2023; Qamar et al., 2023).

Several topics are discussed in the study, including banks' efficiency, customer trust, effective organization, financial trade and marketing management, protection of shareholder and depositor

resources, and the expansion of social services. Islamic banking offers complementary products and services in the same market. Improved reputation leads to increased market share, sales, and customer loyalty. Loyalty customers are positive toward an organization, recommend it to others, and use it repurchase programs. Loyalty and competition are closely related in the service industry, where there are many choices and innovative services (Abrar et al., 2023; Iqbal et al., 2022 and Iqbal et al., 2023). Islamic banking started in Pakistan in 1970. The actions include establishing distinct Islamic banks registered with all commercial banks. As well as eliminating Riba from financial institutions such as HBFC, ICP, and NIT, they also offer interest-free banking services. 2001 saw the transition to interest-free banking gradually and without disruption. Additionally, the State Bank of Pakistan considers: (i) Establishing divisions within commercial banks that facilitate transactions compliant with Shari'ah, (ii) Establishing branches that handle only Islamic products, (iii) Launching a brand-new commercial bank that exclusively deals in Islamic financial products to conduct banking operations.

The Islamic banking industry is expected to reach over Rs 1 trillion in assets by 2012, with a branch network of over 1,200 in five years. Deposits are also expected to reach Rs 1 trillion. The industry is based on Islamic principles, ensuring transparency and riba-free transactions. Prophet Hazrat Muhammad serves as a role model. Islamic banking prohibits interest in transactions but allows capital gains through risk sharing, owing, handling, and leasing contracts. The industry focuses on asset management for income generation and joint ventures to share risks and profits. Founded in 1975, Dubai Islamic Bank has expanded to the UAE, Egypt, Bosnia, and Pakistan (SBP, 2019). The Quaid-i-Azam introduced Islamic banking in Pakistan in 1948, aligning it with Islamic economic and social principles. With billions of Muslims in the world, Islamic banking was introduced in 1981. The State Bank of Pakistan switched to interest-free banking in 2001. In 2012, the industry is expected to have over Rs 1 trillion in assets and 1,200 branches. Also, it has Rs 1 trillion in deposits. Islamic microfinance and agriculture services are projected to increase industry share. Customers were initially reluctant to adopt Islamic banking, but as the country became increasingly Muslim, views shifted. Islamic banking acceptance is influenced by religious beliefs, convenience, image, service quality, and family recommendations. Due to cultural and legal variations, studies undertaken in nations such as Pakistan may not be appropriate (SBP, 2019). This study investigates factors affecting Pakistani customers' selection criteria for Islamic banks. It focuses on factors not considered in conventional banking. In addition to helping banks develop strategies to attract new customers, the findings will also assist them in retaining existing customers. Throughout Pakistan, both Islamic and conventional banks operate, so the study determines customers' tendencies towards Islamic banking. These findings will help banks develop strategies for attracting and retaining customers (Iqbal et al., 2023).

In this study, the purpose is to determine customer acceptability trends for Islamic banking in Pakistan, specifically in Punjab and Bahawalpur. Additionally, the study investigates what encourages clients to accept Islamic banking: The acceptance of Islamic banking by clients has been the subject of many research investigations conducted throughout the world. In the present study, an empirical inquiry is undertaken in Division Bahawalpur to examine the influence of a

variety of factors on this acceptance trend (Iqbal et al., 2023). This study further aims to determine whether clients prefer Islamic banking. Based on the findings of this study, Islamic banks may be able to identify the factors that influence client selection requirements. Research questions include: What factors significantly influence bank choice? Aside from Shariah issues, bank reputation, service quality, convenience, etc. Is this affecting Islamic banking acceptance? Thus, this research addresses a few questions. This research endeavour aims to find practical solutions to the following questions: (i) What are the main factors influencing customers' willingness to accept Islamic banking?, (ii) What is the current perception of consumers regarding the adoption of Islamic banking?

Islamic banks and customers can both benefit from the proposed questionnaire. It will help them understand the factors influencing Islamic banking adoption in Pakistan. Islamic banking is currently experiencing a sharp increase in popularity. Shari'ah beliefs and general criteria like service quality, credibility, and image were examined. In addition to Shari'ah compliance, a bank must also consider convenience, service quality, image, and other factors. In this survey, Islamic bank stakeholders determine whether clients accept their Islamic banks. Based on the results of this study, we can determine what factors affect the adoption of Islamic banking and what changes need to be made. Research helps organizations improve their operations to boost patronage. Based on Islamic law, the study examines Islamic banks. This study meets Muslim needs. Research on Islamic banking adoption today and future recommendations may also be important.

2. Literature Review

2.1 Islamic Banks

The Islamic law prohibits Riba payment in financial transactions. The Islamic banking system is governed by Islamic law guidelines provided by the Sunnah (Hanafi, 2021). Islam provides practitioners with comprehensive rules that apply to every aspect of their lives. Additionally, Islam contains a brief guide to commercial transactions as well as Islamic banking, which is defined as a system of interest-free banking or one that adheres to Shari'ah law (Hanafi, 2021; Iqbal et al., 2023). In a study conducted on consumers in Malaysia, it was discovered that there was a significant correlation between customer choice for Islamic banking. Factors such as availability, quality of service, and religious perspective contributed to this outcome. The study analyses client preferences using both qualitative and quantitative methods. The quantitative method revealed aspects such as convenience, staff friendliness, and quality of service. The qualitative approach revealed that customers are drawn to Islamic banking based on their beliefs and convictions. Studies indicate that Islamic banking should be based more on service quality than on religious beliefs. Islamic law must be respected, particularly in nations where religion is accorded a high level of importance, such as Pakistan (Hanafi, 2021; Iqbal et al., 2023). Customer acceptance of Islamic banking is influenced by its reputation, since customers value Islamic laws, and noncompliance can result in dissatisfaction. Shari'ah is a standard for customer satisfaction, and customers expect convenience and security in transactions. Islamic banking attracts new depositors efficiently, and profitability is maintained. Despite this, conventional banks compete more due to

Islamic products' novelty and regularity. Customers choose banks based on a variety of factors, including service quality, convenience, bank image, and family influence (Iqbal et al., 2023).

2.2 Religious Belief

Shari'ah-compliant banks operate under Shari'ah board supervision. This is a form of Islamic law that provides a framework for growth, performance improvement, and financial gain. Islam is Allah's supreme law over Muslim society. Muslims are required to fulfil specific obligations. Shari'ah (which means "the path leading to the watering place") is a set of guidelines that guide Muslims toward a future of favorable favour and realistic religious freedom. Many individuals cannot access banking services due to religious beliefs (Junaidi et al., 2022). Islamic banks operate under the Shariah Board, which monitors financing activities. Despite the exclusion of interest in four religions, most banks now operate on interest. Shari'ah principles from the Holy Quran, Hadith, Sunnah, Ijma, Qiyas, and Ijtihad regulate Islamic banking. Riba (interest), funding immoral activities like gambling, and debt-based finance are all prohibited under these precepts. They offer a variety of products and services based on Shari'ah rules and religious beliefs. Hadith evidence shows that Riba/interest is a status of interest, as seen in the Prophet's account of people receiving interest. Islamic banking also provides different financing modes, such as Ijarah and Musharaka, for car and home financing (Chowdhury et al., 2019). Islamic banks share their profits and losses with their customers since Islam forbids fixed returns. Islam is the most significant factor that encourages Islamic banking in Bangladesh since people are required to adhere to Islamic laws. Shari'ah principles are the most crucial criteria for Malaysian buyers. This demonstrates that Islamic banking cannot follow conventional banking practices without concentrating on Shari'ah aims. Religion is the most significant reason for choosing conventional banking versus Islamic banking, according to research by 246 UAE clients. Due to flaws in interest-based banking in Peshawar, Pakistan, Muslim acceptance of Islamic banking has increased. Among all factors affecting interest-free banking and Shariah principles, religion is the most significant factor for both men and women. Customers choose Islamic banking because they believe interest is riba or addition, which is forbidden in the Quran and Hadees. The practice of Islamic banking must conform to principles such as riba prohibition, Gharar prevention, and Maysir (Iqbal et al., 2023). As a result of the current study, the following hypotheses are examined:

H1: There is a significant association among belief in religion and Shari'ah law and acceptance of Islamic banking.

2.3 Bank's Reputations and Image

Two significant and insignificant assets contribute to the bank's long-term competitive marketing advantage and market respect: its corporate image and status. Despite the fact that position and image belong to different classes, they should not be confused with each other. While there are differences in the definition and the individual, there are also differences in the bank's arrangement and the tools used to create these assets. Bank images can be created in a relatively short period of time using public relations and marketing tools. This is done to evaluate, decide, and connect with consumers about the bank. Popularity studies are evaluations of an organization

and its activities, conducted through various partner meetings. It focuses not only on public relations, but also on the assessment of actual organizational activities over an extended period of time. By analyzing methods and theoretical concepts, the article aims to highlight the key differences between image and renown. This study aims to identify the differences and relationships between reputation and image based on observational analysis; the analysis was then limited to the sustainable banking sector. For the purpose of evaluating reputation and image, the overview technique was applied to customers of banks operating on the Islamic market. Image and reputation are essential to an organization, which are independent but elusive resources that can work together to give the organization an advantage (Iqbal et al., 2023). Using the analytical hierarchy process (AHP), the study ranks factors based on customer preferences, revealing that bank reputation, image, amenities, and friendly staff are among the most significant factors. Men and women agree with this statement. Turkish customers place high priority on religious beliefs and bank image. In contrast, educated, middle-class, and lower-income customers choose Islamic banks. Bank reputation and staff knowledge are also significant factors. The Pakistani government considers customer interaction, convenience, and reputation when making customer decisions. Young customers need friendly staff, parking facilities, and a positive reputation. When developing Islamic banking strategies, banks consider these factors (Awan et al., 2018). As a result of the current study, the following hypotheses are examined:

H2: There is a significant association among Bank's reputation and acceptance of Islamic banking.

2.4 Relative, Family and Friends Influence

Islamic banking is influenced by friends, family, and relations. Study results on Malaysian customers indicate that friends and family influence selection criteria is significantly correlated with Islamic banking adoption. Instead of religion having a significant impact, this is the case. Based on the study of Malaysian clients, it can be concluded that friends and family can have a significant impact on an individual's decision to use an Islamic bank. Based on the study's findings, clients' decisions are also influenced by a variety of variables. Word-of-mouth, family influences, and relatives are some of the factors that contribute to this process. In a study conducted on Singaporean students, friends and family had less influence on their decision-making. The size of banks' assets and branches was more significant selection criteria in a study conducted using 403 Nigerian bank clients. Convenience and security are less important. Due to regional variations, the primary influencing element is the influence of friends, family, and relatives on the selection criteria of the customer (Kaakeh et al., (2019). As a result of the current study, the following hypotheses are examined:

H3: There is significant association among relative influence and acceptance of Islamic banking.

2.5 Convenience

Research suggests that convenience plays a crucial role when choosing Islamic banking. Convenience features include a large branch network, continuous ATM service, and locations

close to home. Banking transactions with anomalous delays have a significant impact on customer selection criteria. The study indicates that customers place high value on convenience in comparison to other selection characteristics such as friendliness and family influence. Recent immigrants to the United States reported that choosing a bank, residence, or place of employment was not solely based on convenience. Students from the United States, Taiwan, and Ghana participated in a study. This study determined how cultural and economic environments affect bank preferences. Compared to Taiwanese and Ghanaian consumers, American students place higher value on convenience. An analysis of Pakistan's Islamic banks compared with conventional financial institutions revealed that other relevant factors influence banking clients. In addition to convenience, customer service is another significant factor. Islamic banking acceptance will be determined by the location of the bank, the location of the ATM, and other factors that make customers feel less stressed and more at ease (Shamsudheen et al., 2021). As a result of the current study, the following hypotheses are examined:

H4: There is significant association among convenience and acceptance of Islamic banking.

2.6 Service Quality

Service quality is a significant determinant of service provider performance and wealth. It is graded on five criteria: tangibles, dependability, responsiveness, assurance, and empathy. In addition to influencing customer happiness and loyalty, service quality impacts perceptions of the service provider's efficacy and capacity to assist clients. SERVQUAL defines service quality in terms of reliability, responsiveness, assurance, and empathy. An organization's tangible resources are its physical facilities, its reliability is its ability to deliver services consistently, its responsiveness is its willingness to serve customers, its assurance is its ability to gain customers' trust, and its empathy is its ability to understand its customers' needs. In service-oriented industries, such as restaurants and banks, quality has been identified as a key strategic value. By providing effective services to customers, organizations can achieve higher loyalty and profitability. In recent years, Bangladesh has experienced an increase in service quality due to an increase in demand for services. Based on research done in Makassar, Indonesia, banks' service quality increases customer satisfaction, with responsiveness being the most appealing factor. Malaysian customers perceive customer perception and high-quality service among Malaysian customers. As a result, banks must prioritize service quality to enhance service quality and attract more consumers (Ahmed et al., 2022). Similarly, the CATER model suggests that service quality and customer happiness are inextricably linked, with Pakistani customers emphasizing confidence, dependability, tangibles, and empathy. Customers in the United Kingdom are looking for reliability, trust, and empathy in Islamic banking. To summarize, service quality is a crucial indicator of service provider success and profitability. Understanding the significance of service quality and its aspects can boost customer satisfaction and loyalty (Haron et al., 2020). Service Quality factors are Assurance, Responsiveness, Tangibility, Reliability and Empathy. As a result of the current study, the following hypotheses are examined:

H5: There is a significant association among service quality and acceptance of Islamic banking.

2.7 Research Gap

While many scholars have studied Islamic banking, my research focused on customers' tendency to accept Islamic banking. By identifying the variables that influence clients' choice, Islamic banks can benefit from the findings of this study. In this study, the primary research questions are: What are the key determinants of customers' bank preferences, as well as how do Shari'ah, the bank's reputation, service excellence, convenience, and other factors contribute to the uptake of Islamic banking?

2.8 Theoretical Framework

This study uses variables used in previous studies discussed in the literature review. This study examines Islamic banking acceptability as a dependent variable. Demographic factors influence acceptance, including age, gender, educational background, and occupation. A number of independent variables are considered in this study, as well as cause variables, including service quality, bank reputation, convenience, relative influence, and religion. This study will provide more insight into Islamic banking acceptance. It will also suggest potential strategies for increasing acceptance. This study determines the relationship between effect and variable based on client feedback.

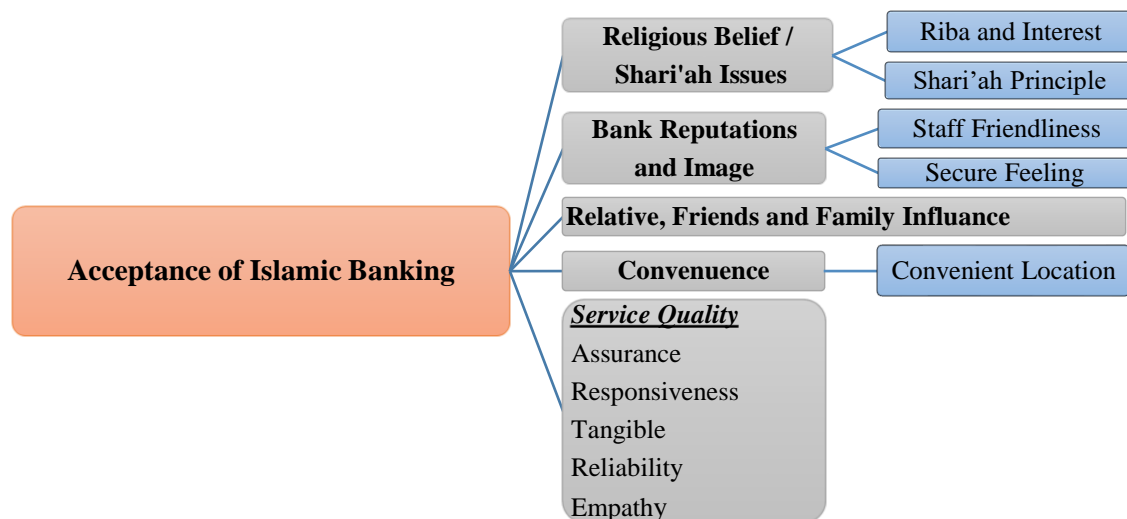


Figure 1: of Theoretical Framework

3. Methodology Methodology

This research aims to find variables that influence customers' ability to accept Islamic banking. We used methodologies in this study to evaluate what factors significantly contribute to clients' readiness to adopt Islamic banking. We explain the study methodology, data type, collection strategy, and sample procedures in the research methodologies section. Data analysis is also conducted at this stage as part of the research investigation. Finally, this research aims to understand the variables that influence customer acceptability of Islamic banking (Iqbal et al., 2023).

3.1 Research Design

This is a process that specifies techniques and strategies for analyzing information. Research design is crucial because it specifies the kind and source of data to be used to address the research challenge. In addition, it includes the variable framework, which describes the relationship between objects. Using Iqbal et al. (2023) "Cause and Effect Relationship" methodology, this study aims to find the cause-and-effect link between variables. In conclusion, research design is essential to answer the research challenge, as it defines the variables, the relationship between them, and the cause-and-effect relationship.

3.2 Population

Population refers to the whole set of subjects or objects a researcher wants to study. Thus, the study's population consists of Islamic bank clients in the Punjab region of Bahawalpur, Pakistan. In this study, the population is comprised of all customers of the Islamic Bank branch in the Bahawalpur region. This is regardless of their gender, age, occupation, or other characteristics. As the researcher studies client behaviour, they need to collect data from everyone.

3.3 Sample

Samples are subgroups of the population that represent the whole. It is the process of choosing a few objects from the entire population called sampling. It is particularly relevant to refer to (Ling et al., 2016). There are 300 answers in the sample, which is considered a good sample size. As a result, both males and females were included in the 300-person sample of this study. Primary sources provide data that addresses the problem statement. The customer received 300 questionnaires in total, of which 300 will be analyzed. From the Bahawalpur region, information was collected regarding customer awareness of Islamic banking services, the religious mindset of the populace, friends, and family, etc. In the questionnaire there are two sections: the first contains demographic information about the customer, and the second contains independent variables (bank image, convenience, quality of service, and religion) and dependent variables (acceptance of Islamic banking).

3.4 Research Instrument

A research instrument was adapted to collect data for this study. We conducted this study among Islamic Bank customers in Bahawalpur City, located in the Punjab province of Pakistan. We asked them to complete a self-administered questionnaire. Customers are asked closed-ended questions as part of the questionnaire to obtain accurate responses. In the first section of the questionnaire, demographic information such as age, gender, occupation, and educational background is collected. The second section of the questionnaire will address customers' acceptance of Islamic banking. In addition to convenience, service quality, family influence, bank reputation, and religion, independent variables will also be examined. We used a five-point Likert scale from strongly agree to strongly disagree in this study. There are 38 questions, and a pilot

study was conducted with 15 consumers to ensure consumer input accuracy. Additionally, this study provides advice on how to develop questions for accurate results. In addition to instrument reliability, the pilot report also discusses instrument stability. We distributed questionnaires to customers of various Islamic banks via branch visits 26 times consecutively to prevent errors. The questionnaires are intended to be brief and specific for customers' convenience. Statistical techniques were used to test the questionnaire variables. Data collected through questionnaires is analyzed descriptively. Random sampling procedures are used in probability sampling procedures to collect data for analysis. To obtain data by random sampling, questionnaires are distributed to respondents disproportionately. Based on the study results, a questionnaire was utilized in this study. It is critical to note that different authors use different questions in their questionnaires.

3.5 Data Collection and Analysis

This study determines consumers' tendency to adopt Islamic banking by using a quantitative method to analyze data collected through a self-administered questionnaire.

3.5.1 Data Collection:

Data gathering may be done in two ways: primary and secondary data collection. Questionnaires were used to gather data and analyze primary data.

3.5.1.1 Primary Data Collection

The primary data for this study was collected through a questionnaire to Islamic bank customers. This research was conducted in Bahawalpur, Punjab, Pakistan.

3.5.1.2 Secondary Data Collection

Researchers can find information on all aspects of Islamic banking through this online resource. Researchers may also benefit from online publications and papers related to Islamic banking to conduct thorough research and reach reliable conclusions.

3.5.2 Data Analysis

3.5.2.1 Descriptive Analysis

This study examines demographic information about consumers using frequency distribution. An analysis of the data acquired by the distributed questionnaire is conducted using frequency, percentages, and cumulative percentages. In addition, a graphic representation of respondents' demographic data is provided.

3.5.2.2 Reliability and Regression

Using Cronbach's Alpha, instrument reliability can be measured. A value closer to one indicates a higher degree of internal consistency. Regression analysis determines the relationship between dependent and independent variables. For this research, I used simple linear regression techniques.

4. Results

This section will look at the aspects that impact customer acceptance of Islamic banking. In this analysis, the focus is on Bahawalpur region customers. This research examines various

occupations such as students, government employees, private employees, and self-employed individuals. We distributed 300 questionnaires throughout the target region due to scheduling constraints. This study was conducted using SPSS software, version 24 of the Statistical Package for the Social Sciences. This section discusses reliability and regression analysis.

Sr. #	Research Questionnaire
RQ1	Would you like to identify the customer's tendency to accept Islamic banking in Pakistan?
RQ2	What are the current perspectives of customers regarding the acceptability of Islamic banking?

4.1 Descriptive Analysis

Research 300 samples were selected from the Bahawalpur region, including Ph.D., master's and bachelor's students, inter- and metric students, government job holders, private employers, and the self-employed. There were 222 males and 78 females among the 300 sample frequencies.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	222	74.0	74.0	74.0
	Female	78	26.0	26.0	100.0
	Total	300	100.0	100.0	

4.2 Reliability

	Frequency	Percent	Valid Percent	Cumulative Percent
Government Employee	43	14.3	14.3	14.3
Private Employee	102	34.0	34.0	48.3
Self-Employee	142	47.3	47.3	95.7
Students	13	4.3	4.3	100.0
Total	300	100.0	100.0	

Price et al. (2015) defines reliability as "error-free items in the research instrument with consistent measurements over time." Alpha is a coefficient that assesses reliability. Customers' willingness to accept Islamic Banking questionnaire questions was 0.751, according to Cronbach's Alpha. This is significantly different from Price et al. (2015) standard and acceptable value of 0.5. According to the findings, all of the questionnaire items were reliable in determining the customer's preference for Islamic banking.

Statistics Reliability

Alpha Cronbach's	# of Items
.751	9

4.3 Validity

An instrument's ability to be quantified constitutes validity (Price et al., 2015). Cooper and Schindler used previous research and expert assistance in ensuring the validity of the information contained in the instrument under consideration. To ensure that the instrument is appropriately structured and accurate in describing economic competitiveness factors, knowledge management specialists from UTM and The Islamia University of Bahawalpur in Pakistan were contacted. Using specialists to design a survey questionnaire as well as adapting the questionnaire items and variables increased the instrument's validity. There are two types of validity: external and internal.

4.4 Normality

To determine whether a distribution is normal, there are several approaches used. Kwak et al. (2019) recommend using skewness and kurtosis to assess deviations. According to this definition, a regular distribution is one in which skewness and kurtosis lie within the range of +1.0 and +3.00,

respectively.

Independent Variables	Skewness Statistics	Kutosis Statistics
IB	0.87	3.944
BR	0.78	3.88
RB	.0755	4.39
CON	0.97	4.55
SQ	0.63	3.35

4.5 Multicollinearity Test

A multicollinearity test will be employed in the regression model to determine the level of correlation between two or more variables. The tolerance and variance inflation factors (VIF) will be used to determine multicollinearity among variables (the independent variables). A tolerance number around 1 suggests that there is little or no multicollinearity across variables, whereas a tolerance value near 0 indicates that multicollinearity may exist. Oke et al. (2019) state that when the tolerance value falls below 0.01 there is multicollinearity between the variables. The variance inflation factor (VIF), which is the reciprocal of tolerance, shows how multicollinearity affects coefficient estimates variance. As a result, a VIF score around 0 shows that there is no relationship between the variables. As a result, identifying multicollinearity requires a lower VIF value. Scholars argue the appropriate value of VIF as an indicator of multicollinearity among independent variables (IVs). A VIF 149 score of 5.0, according to Oke et al. (2019), may indicate lack of multicollinearity. Oke et al. (2019), on the other hand, recommend ten. We shall employ Oke et al. (2019) due to its limited scope; we did not follow the recommendation in our research.

Independent Variables	Collinearity Statistics	
	Tolerance	VIF
Acceptance of Islamic Banking	0.36	2.85
Religious Belief	0.72	1.40
<i>Riba and Interest – Shari’ah Principle</i>	0.79	1.28
Bank Reputations	0.71	1.40
<i>Staff Friendliness – Secure Feeling</i>	0.56	1.81
Relative, Friends and Family Influence	0.76	1.351
Convenience	0.82	1.23
<i>Convenient Location</i>	0.87	1.16
Service Quality	0.87	1.16
<i>Assurance, Responsiveness, Tangible, Reliability, Empathy</i>	0.72	1.41

4.6 Correlation Analysis

Statistical correlation analysis is used to determine the degree of relationship between independent variables. Below is a table showing the results of the correlation analysis. It has been determined that there is no correlation between any of the independent variables, and the study findings indicate that each variable performs well independently.

4.7 Regression

Regression analysis evaluates hypotheses and determines whether they are accepted or rejected. The Standardized coefficient (B) and R square, which indicate whether a hypothesis should be accepted or rejected, are used to evaluate regression analysis.

Model Summary Model

Model	R	R Square	Adjust R Square	Std. Error of the Estimate
1	.477	.66	.66	.33

a. Interpreters: (Constant), RFF, REL, EMP, SQ, CON, RB, BR, RES

A coefficient of determination represents the amount of total variation in a dependent variable attributed to changes in independent variables. The following table shows the results of a linear regression. According to the linear regression model, the R square is .66, which indicates that 66% of the variation in the dependent variable can be explained by variations in Religion, Bank reputation, Convenience, Family influence, and service quality. The remaining variation cannot be explained by variations in the independent variables.

H1: *There is a significant association among belief in religion and Shari'ah law and acceptance of Islamic banking.*

According to the testing of difference, the model is fit and correct in the overall sense, since the F value is 60.243, which is statistically significant.

Model ANOVA

Model	Square of Sum	df	Square Mean	F	Sig*
Regression	17.245	10	4.941	60.243	0.000
Residual	24.200	253	1.205		
Total	77.225	299			

a. DV: AIB

b. Interpreters: (Constant), CON, RFF, BR, RB

I-V	D-V	B Coefficient	P-Value
RB	AIB	0.243	0.000

The findings show that H1: is acceptable because the beta for the standardized coefficients is 0.243. As a result, H1 suggests that there is a significant association between study habits and Islamic banking performance.

H2: *There is a significant association among Bank's reputation and acceptance of Islamic banking.*

I-V	D-V	B Coefficient	P-Value
BRM	AIB	0.443	0.000

The statistics above show that H2: is acceptable, as evidenced by its beta value of 0.443 and P value of 0.000. Both are less than 0.05 for the standardized coefficients. As a result, bank reputation and the acceptability of Islamic banking are significantly associated. Overall, research shows that H2: is widely accepted.

H3: *There is significant association among relative influence and acceptance of Islamic banking.*

I-V	D-V	B Coefficient	P-Value
RFF Influence	AIB	0.049	0.177

The standard coefficient (B) in the table above is 0.049, indicating a positive relationship between relatives, friends, and family and Islamic banking adoption. This positive link shows that having reliable sources makes people more likely to accept Islamic banking.

H4: *There is significant association among convenience and acceptance of Islamic banking.*

I-V	D-V	B Coefficient	P-Value
Convenience	AIB	0.096	0.000

H4: has been accepted based on the data above since the beta value of the standardized coefficients is 0.096 and the P value is 0.010, both less than 0.05. An increase in beta value shows that two variables have a positive association. As a result, we find that there is a significant positive association between bank convenience and Islamic banking acceptance.

H5: *There is a significant association among service quality and acceptance of Islamic banking.*

I-V	D-V	B Coefficient	P-Value
Services Quality	AIB	0.821	0.000

Based on the findings of the preceding table, H5: is acceptable, and the standardized coefficient (B) is 0.821. It is also evident from the P value that H5: is accepted since it is less than 0.05. Based on these data, it is possible to conclude that there is a considerable positive association between service quality and Islamic banking acceptance.

5. Conclusions

This study aims to find characteristics that influence Islamic banking consumer acceptability criteria. The study is based on both independent and dependent factors (such as religious belief, bank image, convenience, and service quality). Islamic banking refers to financial activity based on Shari'ah and religious norms. Extra costs on Riba loans are prohibited under Shari'ah. Investing in companies that offer services or goods that contradict Islamic precepts is haram, or sinful. Islamic banking has recently been tested as a significant idea. Conventional banking has built the global Islamic financial system on principles in conflict with Islamic Shari'ah. Hence, interest-free banking, or Islamic banking, is achieved by reducing interest on financial transactions. Islamic banks have captivated and amazed the world. Islamic banking offers a variety of financing options, including Musharaka, Mudarabah, and Ijarah, among others. A total of 300 questionnaires were distributed to Islamic banking customers in the Bahawalpur region of Punjab, Pakistan, to gather data. Based on this study, Cronbach's Alpha of customers' propensity to accept Islamic Banking questionnaire questions was 0.751. It is greater than Kwak et al. (2019) conventional and acceptable value of 0.5. The coefficient of determination, as represented by R square, reflects the fraction of the total variation in the dependent variable. This fraction can be attributed to changes in the independent variables. The study's analyses showed that all assumptions were correct. Bank 39 repute and image have negative beta values, but all hypotheses indicate a substantial positive relationship. This shows that the two variables have a substantial negative association. In this study, several limitations impact the conclusion drawn from the research. However, these limits may differ from one field/researcher to another. In addition, this study has several significant limitations, including the following:

1. The specified time limit for research is insufficient to obtain additional information from customers. The lack of time is a significant obstacle to gathering comprehensive and reliable data. For this study, the data collection via questionnaire took longer than expected.
2. Because data is collected through questionnaires and visits to several banks, a significant amount of funds is required for the collection of data and information. As a result of economic constraints, this study focuses on Bahawalpur due to limited access to more information.
3. Respondents were surveyed by presenting questionnaires to a pre-selected sample, although some consumers did not complete the questionnaire due to the length. In some cases, customers are unfamiliar with Islamic banking, so they cannot respond appropriately.

For the purpose of obtaining more reliable results, future researchers should conduct research on a larger sample size and over a longer period of time. It is recommended that future researchers have sufficient resources to cover the costs of reliable studies and research experience. To provide a more complete view, the future study may include the qualitative aspect and the firm's newsletters and webpages.

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Appendix -A Questionnaire

Dear Reader:

This study is being conducted by Mr. Muhammad Saeed Iqbal, Ph.D. in Islamic Banking and Finance). Student at School of Islamic Banking and Finance, Universiti of Utara, Malaysia. The purpose of this study is to gather information regarding the acceptance of Islamic finance among consumers. I would appreciate your cooperation in providing me with the most accurate responses possible.

Personal information:

1. What is your gender: i) Male ii) Female
2. What is your age? i) 21-30 ii) 31-40 iii) 41-50 iv) 51-60 v) 61 plus
3. What is your academic qualification?
 - i) Intermediate or Equivalent
 - ii) Graduation
 - iii) Masters
 - iv) PhD
 - v) Others (please specify)-
4. What is your profession?
 - i) Government employee
 - ii) Private employee
 - iii) Self-employed
 - iv) Students Rate the following statement according to your choice

Please rate the following statements in accordance with your preference.

Sr.	Religious Belief:	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	You prefer Islamic banking because it offers Islamic products.					
2	You prefer Islamic banking because it offers interest-free loans.					
3	Islamic banks don't allow gambling or other prohibited activities.					
4	Islam gives a portion of their revenues to zakat and Sadaqah.					

Sr.	Bank's reputation and image:	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	Choosing Islamic banks, you consider the reputation, image of bank.					
2	Bank employees' friendliness influences your decision criteria.					

3	Your privacy is protected by Islamic banks.					
Sr. Relatives, Friends and Family Influence:		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	Your relatives' recommendations may influence your decision.					
2	Your selection criteria are influenced by friends' recommendations.					
3	Your selection criteria are influenced by family recommendations.					
Sr. Convenience:		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	You should consider Islamic banks' convenient branch locations.					
2	Convenient ATM locations affect your selection criteria.					
3	You choose Islamic banks because of their convenient hours.					
4	Your decision is influenced by Islamic banks' parking availability.					
Sr. Service Quality: Assurance:		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Assurance						
1	Banks respond positively to difficulties faced by consumers.					
2	Clients may rely on the employees of their bank.					
3	Customers feel safe dealing with Islamic banks.					
4	You choose your bank based on knowledge.					
Responsiveness						
5	Islamic banks provide prompt service to their customers.					
6	Islamic banks provide unique attention to customers.					
7	Islamic bankers answer questions quickly.					
8	Islamic banks' employees are always eager to help.					
Tangibles						
9	Physical facilities of Islamic banks are excellent.					
10	Choose an Islamic bank based on its neatly dressed employees.					
11	Modern equipment and instruments influence Islamic banks' choice.					
Reliability						
12	A bank follows through with its promises.					
13	The bank keeps reliable records.					
Empathy						
14	Customers are given special attention by Islamic bankers.					
15	A good Islamic banker understands your needs.					
16	Islamic banking services are likely to be useful to me.					
17	My preference is Islamic banking, assuming I have the option.					
18	I choose Islamic Banking for my financial needs.					
19	I intend to use Islamic banking more than regular banking.					