

Unveiling Pakistani Retailers' Attitudes towards Islamic

Methods of Finance

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Abstract -- The present study aims to investigate Pakistani retailers' attitudes towards Islamic methods of finance. For this purpose, a well-established survey of 150 Swabian retailers was conducted. A descriptive analysis of responses was carried out to identify the principal factors affecting retailers' attitudes towards using Islamic financial products and services. The results reveal that most respondents have some knowledge about certain Islamic products and services, particularly Musharakah and Quard-e-Hasana; however, they are generally unaware of many other Islamic products and services. The results also reveal that all retailers agree to adopt Islamic financing methods, provided they strictly comply with Islamic Shariah principles. The study highlights the importance of religious affiliations in determining positive attitudes towards Islamic finance methods, underscoring the need for marketers and practitioners to ensure that Islamic financial products and services adhere strictly to Islamic Shariah principles. The study also recommends that raising awareness about the community service role of Islamic methods of finance could contribute to strengthening these positive attitudes among retailers.

Index Terms-- Retailers' attitudes, Retailers, Islamic methods of financing, Islamic banking products and services, Pakistan.

JEL Classification -- G2

I. INTRODUCTION

Islamic finance, which includes financial institutions, products, and services that adhere to the fundamental principles of Islamic Shariah, has become a rapidly growing segment of the global finance industry. Its origins can be traced back to the establishment of Dubai Islamic Bank in 1975, which has since extended its operations to several countries, including the Bahamas, Bahrain, Bosnia, the Cayman Islands, Egypt, Indonesia, Lebanon, Malaysia, Pakistan, Saudi Arabia, and the United Arab Emirates.

According to the Islamic Financial Services Research (IFSR) (2010), the market for Islamic financial services has experienced a remarkable boom in recent years, with its global value reaching \$549 billion in 2006, increasing to \$758 billion in 2007, and \$951 billion in 2008. The growth of the Islamic finance industry can be attributed to its unique features, such as the prohibition of interest (Riba) and uncertainty (Gharar), which promote ethical and equitable financial transactions based on risk-sharing and asset-backed financing (Mauro and Filippo, 2013).

Most Shariah-complaint assets in Islamic finance are held by commercial banks, followed by investment banks, Sukuk (bonds), managed funds, and Takaful (insurance). The primary centers of Islamic finance are currently concentrated in the Middle East, such as Iran, Saudi Arabia, Kuwait, the United Arab Emirates, and Bahrain, in addition to Asian countries, particularly Malaysia, but also Bangladesh, Pakistan, and Indonesia, and North African countries, including Sudan and Egypt. Western economies have witnessed substantial and rapid growth in the Islamic finance sector in recent years, with 22 Shariah-complaint banks in the United Kingdom, 9 in the United States, and 4 in Australia (IFSR, 2010). This growth can be attributed to the rising demand for Shariah-complaint financial services from Muslim and non-Muslims clients seeking alternative financial products that adhere to ethical and socially responsible principles. The emergence of Islamic finance in Western economies also reflects the growing globalization and integration of financial markets and increased awareness and recognition of the potential benefits of Islamic finance in promoting financial stability, inclusion, and diversity (Azhar, 2014).

Islamic finance, a practice dating back centuries, has gained prominence in recent years with the proliferation of Islamic financial institutions offering Shariah-compliant products and services. In predominantly Muslim countries, it is only in the past few years that Islamic finance has directly competed with conventional financial products and services. Given this recent emergence, customer attitudes towards these alternative financial products and services are crucial in determining the

extent to which they will be adopted (Gait and Worthington, 2008). Retailer attitudes are the primary driver of change in purchasing behavior and, therefore, a critical factor in the adoption and success of Islamic financial products and services. The influence of religious beliefs and the relative pricing, costs, benefits, convenience, and accessibility of Islamic financial products and services compared to conventional bank products and services are among the primary concerns of Islamic finance. For conventional financial institutions, the emergence of financial institutions offering Islamic financial products and services may impact their competitive position and marketing strategies. Furthermore, it may influence their decision to introduce Shariah-compliant products and services. As such, financial institutions need to understand and adapt to customers' changing preferences and attitudes in response to the emergence of Islamic finance (Gait and Worthington, 2015).

The current research suggests that Pakistan offers a unique environment to examine retailers' attitudes towards Islamic finance methods. The rationale for conducting this study is threefold. Firstly, although Pakistan has a predominantly Muslim population, only a few Islamic financial institutions are operational. Secondly, the government of Pakistan is increasingly moving towards liberalizing and restructuring its financial system, which involves incorporating Islamic financial institutions, products, and services. Lastly, there is a shortage of empirical studies in Pakistan focusing on retailers' attitudes towards Islamic finance methods. Thus, the primary objective of this study is to present the findings of a survey conducted on Pakistani retailers to ascertain their attitudes towards Islamic finance methods.

In Pakistan, the analysis of perceptions and attitudes of retailers towards Islamic finance and Islamic products and services is still in its infancy, particularly when compared to conventional products and services. However, this area of research has recently gained attention from financial economists, practitioners, and researchers due to the increasing number of Islamic banking institutions in the country. Numerous empirical studies have been conducted globally; however, only a few studies have been executed in Pakistan. Therefore, this empirical study aims to address the current research gap in the Islamic finance literature by examining Swabian retailers' attitudes and perceptions towards Islamic finance methods.

The remainder of the study is organized as follows: Section 2 provides a concise overview of Islamic finance, including its sources, principles, and prevalent products and services. Section 3 reviews the literature on retailers' attitudes towards Islamic finance methods. Section 4 describes the theoretical framework and methodology used for our empirical analysis. In Section 5, we present descriptive statistics and discuss the empirical results. Finally, Section 6 summarizes and interprets the empirical results, provides valuable insights and policy implications, and offers suggestions for future research.

Following Gait and Worthington (2014a, 2015), Islamic finance refers to a financial product or service primarily designed to adhere to the fundamental principles of Islamic law, known as Islamic Shariah. The principal sources of Islamic Shariah are the Holy Quran, Hadith, Sunnah, Ijma, Qiyas, and Ijtihad. The Holy Quran represents the book of revelation given to the Holy Prophet Hazrat Muhammad (PBUH), while Hadith pertains to narrations of Hazrat Muhammad's (PBUH) deeds and sayings. Sunnah refers to the customary practices and behaviors of Hazrat Muhammad (PBUH) during his lifetime. Ijma denotes the consensus among religious scholars regarding specific Islamic issues not envisioned in the Holy Quran or the Sunnah. Qiyas entails using deductive analogy to provide an opinion on a case not referred to in the Holy Quran or the Sunnah by comparing it with another case mentioned in the Holy Quran and the Sunnah. Finally, Ijtihad represents a Jurist's independent reasoning concerning the applicability of particular Islamic Shariah rules to cases not included in the Holy Quran or the Sunnah.

We are certain to say that Islamic finance is guided by certain Islamic principles prohibiting Riba (or interest) and debt-based financing. In addition, it prohibits Gharar, which entails full information disclosure, removal of asymmetric information in contracts, avoidance of risk-taking, and the exclusion of financing and dealing in activities and commodities deemed as "sinful", for instance, gambling, alcohol and pork. Furthermore, Islamic finance emphasizes risk-sharing in business ventures and materiality, where a financial transaction requires a link to some real economic transaction. Finally, justice is a crucial Islamic principle where a financial transaction should not lead to the exploitation of any party to the transaction (Gait and Worthington, 2014a, 2015).

In practical terms, the principles of Islamic finance translate into a broad range of commercial products and services offered by Islamic financial institutions. These products and services include Mudarabah, which involves the provision of capital in exchange for a share of profits, with any losses borne solely by the lender; Musharakah, where the provider of funds and the entrepreneur share in the business wholly; and Murabahah, where the financial institution purchases goods and services on behalf of a customer. Other products and services of Islamic finance include Bai Muajjal, which involves deferred payments on products; Bai Salam, which includes advance sale contracts for goods and services; Istisna, which covers manufacturing contracts for work in progress; Ijarah, which involves operating lease financing; Takaful, which takes the form of cooperative self-help schemes for Islamic insurance; and Quard-e-Hasana, which provides benevolent loans offered interest-free. Islamic products and services are increasingly manifest as mutual funds, underpinned by investments in Sharia-compliant assets, including equity and Sukuk (Gait and Worthington, 2014a, 2015).

II. ISLAMIC FINANCE

III. LITERATURE REVIEW

Erol and El-Bdour (1989) and Erol *et al.* (1990) are considered the earliest studies of consumer attitudes towards Islamic banking and finance. The findings of these studies conclude that customers have a high level of awareness regarding Islamic banking in Jordan and that customers value fast and efficient service and the bank's reputation when selecting a bank. However, the findings of these studies suggest that religious motivation has an insignificant impact on the use of Islamic banking products and services. Omer (1992) examined the patronage and awareness of Islamic financing methods among 300 Muslims in the United Kingdom. The findings of his study concluded that there was a high level of ignorance among United Kingdom Muslims regarding the basic principles of Islamic methods of finance. Nevertheless, despite being ill-informed, religious motivation remained the most crucial factor in their strong preference for Islamic methods of finance and Islamic banking services.

Metwally (1996) utilized factor analysis to investigate the attitudes of Muslims in Kuwait, Saudi Arabia, and Egypt towards Islamic banking, and subsequent research in Metwally (2002, 2003) expanded on this. Their study's results indicated that, like Omer's (1992) findings, religion was the most significant factor in selecting an Islamic banking institution. However, in agreement with Erol and El-Bdour (1989), Erol *et al.* (1990), and Haron *et al.* (1994), Islamic bank customers also ranked the promptness and efficiency of banking services highly when choosing a bank. In addition, Haron *et al.* (1994) pointed out the contrast in the patronage of Islamic and conventional banks among Muslims and non-Muslims in Malaysia. As with Erol and El-Bdour (1989) and Erol *et al.* (1990), factor analysis revealed that religious motivation was not the primary reason for Muslims to deal with Islamic banks. The findings further demonstrated that Malaysian Muslims and non-Muslims were aware of the presence of Islamic banks but typically lacked information about specific Islamic financing methods.

Metawa and Almosawi (1998) conducted a study in Bahrain and concluded that religion and profitability were the two most essential factors in determining customers' attitudes towards Islamic banking. Naser *et al.* (1999) extended the work of Erol and El-Bdour (1989) and Erol *et al.* (1990) in Jordan. They found that bank reputation and religious beliefs were the main factors encouraging customers to use Islamic bank services. Al-Sultan (1999) explored the attitudes of customers in Kuwait towards the products and services offered by the interest-free Kuwait Finance House and confirmed that adherence to Islam was the primary motivating factor for Kuwaitis dealing with an Islamic bank. Gerrard and Cunningham (1997) investigated attitudes towards Islamic banking in Singapore. They found that fast and efficient service and confidentiality were the primary motivations for bank selection, while non-Muslims and Muslims were often unaware of Islamic methods of finance.

Hamid and Nordin (2001) investigated the awareness of Malaysian customers towards Islamic banking in the context of the broader promotion of Islamic education. Their research concluded that most Malaysians did not differentiate between Islamic and conventional bank products and services, despite

having sufficient knowledge of the existence and services offered by Malaysian Islamic banks. Furthermore, although half of the respondents dealt with Islamic banks, they still lacked additional understanding of Islamic bank products. Bley and Kuehn (2004) surveyed business students in the United Arab Emirates (Sharjah) on their knowledge of the financial aspects of Islamic and conventional banks. The study's main finding was that Muslim students preferred Islamic banking services because of religious motivations. Okumus (2005) investigated customer satisfaction with Turkey's interest-free banking and bank selection criteria. According to the study, most Islamic bank consumers responded that religion was the primary motivation for using Islamic products and services in Turkey. Another motivation was that the Islamic financial institutions also offered conventional bank products and services. Dusuki and Abdullah (2007) focused on the customers of two Islamic banks in Malaysia, where their findings were consistent with earlier Islamic banking patronage studies. According to them, quality of service delivery, including staff friendliness and competency and efficient and speedy service, were essential factors in influencing bank selection. Their study also found that older, relatively well-educated, low- and middle-income customers preferred Islamic banks.

Rammal and Zurbruegg (2007) surveyed 300 Muslims residing in Adelaide, Australia, to investigate their awareness and willingness to use Islamic banking products. The study revealed that while most respondents displayed interest in Islamic methods of finance, they lacked sufficient understanding of the underlying principles and operational mechanics. Specifically, the participants possessed knowledge about the availability of Islamic financial products but lacked basic knowledge of Islamic banking concepts. This finding was in agreement with existing empirical literature, as demonstrated by studies such as those conducted by Okumus (2005), Bley and Kuehn (2004), Hamid and Nordin (2001), Naser *et al.* (1999), and Haron *et al.* (1994). Rammal and Zurbruegg (2007) observed that the respondents' lack of familiarity and experience with halal food (permissible according to Islamic Shariah) did not seem detrimental to their willingness to use these financial products. Moreover, the survey participants expressed a potential willingness to utilize Islamic banking products, provided that the bank also offered convenience services such as automatic teller machines (ATMs) and telephone banking. These findings highlight the need for increased education and promotion of Islamic financial products, specifically in the context of their principles and operational mechanisms. Providing convenience services can also enhance consumers' uptake of Islamic banking products. Thus, financial institutions and regulatory bodies should consider measures to increase awareness and understanding of Islamic financial products while offering accessible and convenient banking services to potential customers.

Several empirical studies have examined attitudes towards Islamic finance methods across different contexts and various products and services. These research studies include Loo (2010), Lee and Ullah (2011), Echchabi and Olaniyi (2012), Ramdhony (2013), Demircuc-Kunt *et al.* (2013), and Gait and

Worthington (2014b). In particular, Gait and Worthington (2008) offer a valuable but somewhat outdated review of the existing literature on attitudes towards Islamic methods of finance among individuals, business firms, and financial institutions. The studies mentioned above represent a growing interest in understanding attitudes towards Islamic methods of finance across a range of settings and financial instruments. They offer valuable insight into the factors influencing the adoption of Islamic finance and guide financial institutions seeking to offer Islamic financial products and services. However, it is essential to note that contextual differences may influence attitudes towards Islamic finance, and further research is needed to explore these differences fully. In summary, the body of existing empirical literature on attitudes towards Islamic methods of finance highlights the importance of understanding consumer preferences and the need for financial institutions to tailor their products and services to meet the specific needs of their target audience. Such research is crucial for the continued growth and development of Islamic finance as a viable alternative to conventional financial systems.

IV. THEORETICAL FRAMEWORK AND METHODOLOGY

A. Theoretical Framework

The analysis used in the present study is based on *the theory of reasoned action*, as initially formulated by Fishbein and Ajzen (1975, 1980). This theory posits that a person's behavioral intention is a function of their attitude towards the behavior and subjective norms. In essence, if an individual intends to perform a given behavior, it is more likely that they will do so. Behavioral intention, in turn, measures the strength of an individual's intention to perform a given behavior, in this case, Islamic methods of finance. Attitude is composed of beliefs about the potential outcomes of performing the behavior, weighted by the individual's evaluation of those outcomes. For Islamic methods of finance, this would encompass both the positive and negative attributes associated with such finance methods. Finally, a subjective norm is a composite of the perceived expectations of relevant individuals or groups and the individual's intention to conform to those expectations. In the context of Islamic finance, this would involve consideration of whether particular groups approve or disapprove of such finance methods and the likely impact of that approval or disapproval on an individual's behavior. More favorable attitudes and subjective norms should generally lead to stronger behavioral intentions (Hale *et al.*, 2002).

We argue that consumer and product attributes play a vital role in shaping attitudes and subjective norms towards Islamic methods of finance. Regarding product attributes, we contend that the underlying principles of Islamic Shariah that inform Islamic financial products and services influence how consumers perceive these offerings. Key considerations here include how Islamic financial products differ from conventional financial institutions. We also maintain that the social and cultural environment and demographic, psychographic, and geographic factors shape consumer

behavior. For instance, consumers may hold different attitudes towards Islamic methods of finance based not only on their level of knowledge, religious beliefs, and past experiences with Islamic financial products or services but also on how they envision their potential involvement with such offerings (e.g., as a depositor or borrower). To assess this, the present study aims to establish a relationship between surveyed attitudes and observable characteristics of consumers and Islamic financial products or services to understand better how this may facilitate or complicate the marketing of Islamic finance methods in our chosen context.

B. Methodology

In the present study, we utilized the research instrument and methodology developed by Gait and Worthington (2015). A well-designed questionnaire was utilized to collect primary data from Swabian retailers. Personal interviews were conducted to collect data from the respondents to ensure the speed of data collection, control of the sample, good flexibility, and reasonable cost. This data collection method has several advantages over other methods: it reduces potential confusion by the respondents on the questions and obtains a relatively high response rate. Convenience sampling was employed in this study, where sampling units were selected based on convenience and availability. The study's sample size comprises 150 retailers out of 630 located and operated in District Swabi of Khyber Pakhtunkhwa, Pakistan. The respondents' demographics were identified in the first section of the questionnaire (which is available from the corresponding author upon reasonable request). The second section of the questionnaire was used to determine the respondents' knowledge and awareness of Islamic banks and their methods of finance. The third section of the questionnaire was used to obtain the respondents' attitudes towards Islamic methods of finance. This study used a seven-point Likert scale ranging from 1 to 7 for eighteen statements that represent reasons for using Islamic methods of finance in district Swabi. The fourth section of the questionnaire collected information on the retailers' socioeconomic characteristics (demographics). The final section of the questionnaire gathered data on the nature, duration, assets and liabilities, owner's equity, and the number of employees in the business. The methodology used to analyze the survey responses involved using descriptive analysis to assess the degree of awareness of Swabian retailers regarding Islamic methods of finance. The primary data collected was analyzed using the SPSS statistical software package.

V. RESULTS AND DISCUSSION

Table 1 presents data on participants' awareness regarding the presence of Islamic banks in the region. Of the 150 respondents, 83 (55.3%) reported that they know Islamic banking, while the remaining 67 respondents (44.7%) had no basic knowledge of Islamic banking. The findings suggest that more respondents knew about Islamic banking than those who did not know about it.

Table 1: Awareness and Perception of Islamic Methods of Finance

Variable	Knowledge and practice	Frequency (f)	Percentage (%)
Knowledge of Islamic bank	Yes	83	55.3
	No	67	44.7

Source: Data processed by the author

Table 2 presents the results on the participants' awareness of various methods of Islamic financing. The descriptive statistics reveal that only a minority of the respondents knew Mudarabah (24%) and Bai Mujjail (20%), while the majority were uninformed about these modes of Islamic financing. In contrast, a relatively high proportion of the participants knew Musharakah (68%) and Murabah (37.3%). The findings also indicate that a small percentage of respondents knew Bai Salami (10%) and Istisnah (12.7%), while the majority were unaware of these modes of financing. Moreover, a significant percentage of respondents were uninformed about Ijarah (76.7%) and Quard-e-Hasana (41.3%). Moreover, descriptive statistics indicate that the overall awareness of Islamic methods of financing among the participants was relatively low, as the majority did not know most of the Islamic methods of financing considered in this study.

Table 2: Awareness among respondents about the Islamic methods of financing

Variable	Response	Frequency (f)	Percentage (%)
Mudarabah	Yes	36	24
	No	114	76
Musharakah	Yes	102	68
	No	48	32
Murabah	Yes	56	37.3
	No	94	62
Bai Muajjail	Yes	30	20
	No	120	80
Bai Salami	Yes	15	10
	No	135	90
Istisnah	Yes	19	12.7
	No	131	87.3
Ijarah	Yes	35	23.3
	No	115	76.7
Quard-e-Hasana	Yes	88	58.7
	No	62	41.3

Source: Data processed by the author

Table 3 provides information on the extent of the practice of Islamic finance methods in business organizations among the participants. The descriptive statistics indicate that only a small proportion of the participants practice Musharakah (13.3%), Bai Mujjail (17.3%), Bai Salami (14%), Istisnah (19.3%), and Ijarah (16.7%) in their business organizations. In contrast, a relatively large proportion of the participants practice Mudarabah (72%) and Murabah (42.7%) in their business organizations. Moreover, the findings show that

51.3% of the respondents' practice Quard-e-Hasana in their business organizations, while the remaining 48.7% do not practice this Islamic method of financing. It is worth noting that most respondents do not practice most Islamic finance methods in their business organizations.

Table 3: The practice of Islamic methods of finance in business organization

Variable	Response	Frequency (f)	Percentage (%)
Mudarabah	Yes	20	13.3
	No	130	86.7
Musharakah	Yes	108	72
	No	42	28
Murabah	Yes	64	42.7
	No	86	57.3
Bai Muajjail	Yes	26	17.3
	No	124	82.7
Bai Salami	Yes	21	14
	No	129	86
Istisnah	Yes	29	19.3
	No	121	80.7
Ijarah	Yes	25	16.7
	No	125	83.3
Quard-e-Hasana	Yes	77	51.3
	No	73	48.7

Source: Data processed by the author

Table 4 presents the responses of the participants regarding their agreement or disagreement with the proposition that if an Islamic bank were to open up in district Swabi to offer interest-free financing, which is considered one of the critical features of Islamic banking. The results indicate that most participants, approximately 71.3%, strongly agreed that such a proposition would be beneficial, whereas a relatively small proportion, approximately 5.3%, strongly disagreed. In addition, 8.0% of the respondents remained neutral in their responses. These findings suggest considerable potential for the growth of interest-free Islamic banking in district Swabi, as most participants expressed a favorable attitude towards this mode of financing.

Table 4: Attitudes of respondents towards the establishment of interest-free banking

Scale	Frequency (f)	Percentage (%)	Valid Percentage	Cumulative Percentage
Strongly disagree	8	5.3	5.3	5.3
Disagree	4	2.7	2.7	8
Disagree Somewhat	1	0.7	0.7	8.7
Neutral	12	8	8	16.7
Agree Somewhat	14	9.3	9.3	26
Agree	4	2.7	2.7	28.7
Strongly agree	107	71.3	71.3	100
Total	150	100	100	---

Source: Data processed by the author

Table 5 presents the respondents' answers regarding their agreement or disagreement with the statement that Islamic banks provide financing to the general public according to the

principles of Islamic Shariah. The results indicate that most participants (56%) strongly agreed with the statement, only 4% strongly disagreed, and 10% responded neutrally. These findings suggest that the respondents are inclined to use Islamic financing modes that adhere to Islamic Shariah principles. This outcome underscores the importance of Islamic banks and their role in promoting ethical and Shariah-compliant financial practices in district Swabi.

Table 5: Islamic banks provide Islamic methods of financing under Islamic Shariah principles

Scale	Frequency (f)	Percentage (%)	Valid Percentage	Cumulative Percentage
Strongly disagree	6	4	4	4
Disagree	6	4	4	8
Disagree Somewhat	3	2	2	10
Neutral	15	10	10	20
Agree Somewhat	18	12	12	32
Agree	18	12	12	44
Strongly agree	84	56	56	100
Total	150	100	100	---

Source: Data processed by the author

Table 6 presents the participants' responses regarding the potential for a higher variable rate of return on their deposits if they deposit their money in Islamic banks. The results reveal that most participants, accounting for 35.5%, strongly disagreed with the proposition, while 35.3% disagreed. Furthermore, 10.0% of the participants responded with neutrality. These results indicate that most of the participants are not motivated by a higher rate of return on their deposits in Islamic banks but rather prioritize compliance with the principles of Islamic Shariah in their financial transactions.

Table 6: Deposits in Islamic banks would realize a higher rate of return

Scale	Frequency (f)	Percentage (%)	Valid Percentage	Cumulative Percentage
Strongly disagree	53	35.3	35.3	35.3
Disagree	15	10	10	45.3
Disagree Somewhat	6	4	4	49.3
Neutral	46	30.7	30.7	80
Agree Somewhat	8	5.3	5.3	85.3
Agree	11	7.3	7.3	92.7
Strongly agree	11	7.3	7.3	100
Total	150	100	100	---

Source: Data processed by the author

Table 7 presents the participants' responses regarding their religious motivation for using Islamic finance methods in the district Swabi. The results indicate that 41.3 percent of the respondents strongly agreed, 6.7 percent strongly disagreed, and 14.7 percent responded neutrally. The high percentage of

respondents who strongly agreed may be attributed to the fact that most people in this region have a solid religious background. This finding suggests a positive scope for Islamic banking and finance in district Swabi, as people in this region will likely be motivated by religious beliefs when using Islamic finance methods.

Table 7: Religious motivation behind depositing in Islamic banks

Scale	Frequency (f)	Percentage (%)	Valid Percentage	Cumulative Percentage
Strongly disagree	10	6.7	6.7	6.7
Disagree	2	1.3	1.3	8
Disagree Somewhat	8	5.3	5.3	13.3
Neutral	22	14.7	14.7	28
Agree Somewhat	19	12.7	12.7	40.7
Agree	27	18	18	58.7
Strongly agree	62	41.3	41.3	100
Total	150	100	100	---

Source: Data processed by the author

Table 8 presents the participants' responses to the question regarding the variability of borrowing costs depending on the outcome of the business. The descriptive statistics reveal that 31.3% of the respondents strongly agreed with the statement, 8.7% strongly disagreed, and 22% showed a neutral response. This outcome indicates that a significant portion of the study participants favors a borrowing cost that is not fixed but depends on the business's outcome. This finding suggests that the people of district Swabi prefer a flexible borrowing cost that aligns with the performance of the business.

Table 8: The cost of borrowing is not fixed but depends on the outcome of business

Scale	Frequency (f)	Percentage (%)	Valid Percentage	Cumulative Percentage
Strongly disagree	13	8.7	8.7	8.7
Disagree	10	6.7	6.7	15.3
Disagree Somewhat	16	10.7	10.7	26
Neutral	33	22	22	48
Agree Somewhat	15	10	10	58
Agree	16	10.7	10.7	68.7
Strongly agree	47	31.3	31.3	100
Total	150	100	100	---

Source: Data processed by the author

Table 9 presents the response of participants regarding their religious motivation for borrowing from Islamic banking. The results demonstrate that 46.7% of the respondents strongly agreed with the statement, 8.7% strongly disagreed, and 15% responded with a neutral opinion. This result indicates that many people in district Swabi are motivated to borrow from Islamic banks due to their strong religious beliefs. The high percentage of respondents who strongly agreed with the

statement reflects the importance of religious values in their decision-making process for financial matters. This outcome highlights the potential for the growth of Islamic banking and finance in district Swabi, as there is a strong interest in religiously motivated financing among the local population.

Table 9: Religious motivation behind borrowing from Islamic banks

Scale	Frequency (f)	Percentage (%)	Valid Percentage	Cumulative Percentage
Strongly disagree	13	8.7	8.7	8.7
Disagree	7	4.7	4.7	13.3
Disagree Somewhat	7	4.7	4.7	18
Neutral	15	10	10	28
Agree Somewhat	22	14.7	14.7	42.7
Agree	16	10.7	10.7	53.3
Strongly agree	70	46.7	46.7	100
Total	150	100	100	---

Source: Data processed by the author

Table 10 presents the participants' responses to the question regarding the Islamic bank's investment according to profit-sharing. The results indicate that 26% of the respondents strongly agreed, 15.3% strongly disagreed, and 21.3% were neutral. These results suggest that the people of district Swabi tend to invest in profit-sharing schemes on average. However, it is noteworthy that many participants showed a lack of trust in Mudarabah, a type of profit-sharing investment.

Table 10: Islamic banks invest according to the profit-sharing "Mudarabah"

Scale	Frequency (f)	Percentage (%)	Valid Percentage	Cumulative Percentage
Strongly disagree	23	15.3	15.3	15.3
Disagree	7	4.7	4.7	20
Disagree Somewhat	12	8	8	28
Neutral	32	21.3	21.3	49.3
Agree Somewhat	24	16	16	65.3
Agree	13	8.7	8.7	74
Strongly agree	39	26	26	100
Total	150	100	100	---

Source: Data processed by the author

Table 11 presents the response of the respondents to the question about whether Islamic banks consider repayment of debt according to the business condition. The finding shows that 32% of the respondents strongly agreed, 10.7% strongly disagreed, and 22% showed a neutral response. Most respondents strongly agreed that Islamic banks should consider the business condition before enforcing debt repayment, indicating a positive perception of Islamic banking principles. This outcome is consistent with the ethical and moral values that underpin Islamic finance, which emphasize

fairness and mutual benefit between the parties involved in a financial transaction.

Table 11: Islamic banks consider debt repayments according to business conditions

Scale	Frequency (f)	Percentage (%)	Valid Percentage	Cumulative Percentage
Strongly disagree	16	10.7	10.7	10.7
Disagree	9	6	6	16.7
Disagree Somewhat	12	8	8	24.7
Neutral	33	22	22	46.7
Agree Somewhat	12	8	8	54.7
Agree	20	13.3	13.3	68
Strongly agree	48	32	32	100
Total	150	100	100	---

Source: Data processed by the author

Table 12 presents the response of participants regarding their agreement with the statement that Islamic banks lend money based on profit and loss sharing. Most respondents (29.3%) strongly agreed with the statement, 11.3% strongly disagreed, and 18% responded with a neutral stance. This suggests that people in the Swabi district incline the Islamic methods of financing and profit and loss sharing, also known as "Musharakah", which is free of interest and adheres to the principles of fairness according to Islamic law (Shariah).

Table 12: Islamic banks lend money according to the profit and loss sharing "Musharakah"

Scale	Frequency (f)	Percentage (%)	Valid Percentage	Cumulative Percentage
Strongly disagree	17	11.3	11.3	11.3
Disagree	9	6	6	17.3
Disagree Somewhat	12	8	8	25.3
Neutral	28	18.7	18.7	44
Agree Somewhat	23	15.3	15.3	59.3
Agree	17	11.3	11.3	70.7
Strongly agree	44	29.3	29.3	100
Total	150	100	100	---

Source: Data processed by the author

Table 13 presents the participants' responses regarding how much Islamic banks share the business risk. The results show that 40% of the participants strongly agreed with the statement, 10% strongly disagreed, and 14% responded neutrally. This outcome indicates that most participants are inclined towards sharing the risk in business, as per Islamic banking principles. The notion of risk-sharing, as exemplified by the concept of "Mudarabah" in Islamic finance, is considered a fundamental aspect of the Islamic financial system. Hence, the results highlight the potential for the growth of Islamic finance in the district Swabi, where there appears to be an interest in risk-sharing principles.

Table 13: Islamic banks share business risk

Scale	Frequency (f)	Percentage (%)	Valid Percentage	Cumulative Percentage
Strongly disagree	15	10	10	10
Disagree	12	8	8	18
Disagree Somewhat	6	4	4	22
Neutral	21	14	14	36
Agree Somewhat	18	12	12	48
Agree	18	12	12	60
Strongly agree	60	40	40	100
Total	150	100	100	---

Source: Data processed by the author

Table 14 reports the participants' responses regarding the ease of investing or borrowing through the profit and loss sharing method in Islamic banking. The results show that 38.7% of the participants strongly agreed, 7.3% strongly disagreed, and 13.3% responded neutral. This indicates that many people in district Swabi prefer the profit and loss sharing method, allowing easy borrowing and investing. The positive response of the participants further highlights their inclination towards using Islamic finance methods in their financial dealings.

Table 14: Profit and loss sharing allows people to invest/borrow on an easy basis

Scale	Frequency (f)	Percentage (%)	Valid Percentage	Cumulative Percentage
Strongly disagree	11	7.3	7.3	7.3
Disagree	5	3.3	3.3	10.7
Disagree Somewhat	6	4	4	14.7
Neutral	20	13.3	13.3	28
Agree Somewhat	29	19.3	19.3	47.3
Agree	21	14	14	61.3
Strongly agree	58	38.7	38.7	100
Total	150	100	100	---

Source: Data processed by the author

Table 15 presents the results of the participant's responses to the question of whether Islamic banks provide support in business management. The results indicate that 31.3% of the participants strongly agreed with the statement, 6.7% strongly disagreed, and 17.3% responded neutrally. These results suggest that a significant proportion of the participants agree that Islamic banks provide support in business management. However, it is worth noting that a notable proportion of the participants responded neutrally, indicating a lack of a clear preference or opinion on the matter.

Table 15: Islamic banks provide support to clients in business management

Scale	Frequency (f)	Percentage (%)	Valid Percentage	Cumulative Percentage
Strongly disagree	10	6.7	6.7	6.7
Disagree	9	6	6	12.7
Disagree Somewhat	11	7.3	7.3	20
Neutral	26	17.3	17.3	37.3
Agree Somewhat	23	15.3	15.3	52.7
Agree	24	16	16	68.7
Strongly agree	47	31.3	31.3	100
Total	150	100	100	---

Source: Data processed by the author

Table 16 presents the participants' responses to whether Islamic banks encourage business innovation. The results show that 30.7% of the participants strongly agreed, 12.7% strongly disagreed, and 21.3% responded with neutral. The results also indicate that while a significant portion of participants have shown interest in business innovation, a considerable number strongly disagreed with the statement, suggesting a lack of enthusiasm for innovation in the district of Swabi.

Table 16: Islamic banks encourage business innovation

Scale	Frequency (f)	Percentage (%)	Valid Percentage	Cumulative Percentage
Strongly disagree	19	12.7	12.7	12.7
Disagree	5	3.3	3.3	16
Disagree Somewhat	8	5.3	5.3	21.3
Neutral	32	21.3	21.3	42.7
Agree Somewhat	14	9.3	9.3	52
Agree	26	17.3	17.3	69.3
Strongly agree	46	30.7	30.7	100
Total	150	100	100	---

Source: Data processed by the author

Table 17 presents the participants' responses to whether Islamic banks encourage business expansion. The results indicate that 41.3% of the participants strongly agreed with this statement, 8.7% strongly disagreed, and 14.7% responded neutrally. The findings suggest that a large proportion of the respondents believe that Islamic banks promote and support business expansion. This outcome highlights the potential role of Islamic finance in fostering economic growth and development in the district of Swabi.

Table 17: Islamic banks encourage business expansion

Scale	Frequency (f)	Percentage (%)	Valid Percentage	Cumulative Percentage
Strongly disagree	13	8.7	8.7	8.7
Disagree	7	4.7	4.7	13.3
Disagree Somewhat	9	6	6	19.3
Neutral	22	14.7	14.7	34
Agree Somewhat	18	12	12	46
Agree	19	12.7	12.7	58.7
Strongly agree	62	41.3	41.3	100
Total	150	100	100	---

Source: Data processed by the author

Table 18 presents participants' responses regarding the provision of lease financing by Islamic banks. The results indicate that only 16.7% of the participants strongly agreed, 24% strongly disagreed, and 21.3% responded neutrally. These results suggest that the people of Swabi have a relatively low interest in the Islamic finance concept of Ijarah, which refers to leasing assets or properties by an Islamic bank to a client for a specified period at an agreed-upon rental rate.

Table 18: Islamic banks provide lease financing services "Ijarah"

Scale	Frequency (f)	Percentage (%)	Valid Percentage	Cumulative Percentage
Strongly disagree	36	24	24	24
Disagree	7	4.7	4.7	28.7
Disagree Somewhat	9	6	6	34.7
Neutral	32	21.3	21.3	56
Agree Somewhat	15	10	10	66
Agree	26	17.3	17.3	83.3
Strongly agree	25	16.7	16.7	100
Total	150	100	100	---

Source: Data processed by the author

Table 19 presents participants' responses regarding the question on the availability of industrial finance by Islamic banks. The results indicate that only 14% of the participants strongly agreed with the statement, 11.3% strongly disagreed, and 28.7% showed a neutral response. These results suggest that a large proportion of the participants are not aware of the availability of industrial finance by Islamic banks. This outcome highlights the need for greater awareness and promotion of Islamic banking products and services, including industrial finance, to the general public in district Swabi.

Table 19: Islamic banks provide industrial finance services "Istisnah"

Scale	Frequency (f)	Percentage (%)	Valid Percentage	Cumulative Percentage
Strongly disagree	17	11.3	11.3	11.3
Disagree	9	6	6	17.3
Disagree Somewhat	10	6.7	6.7	24
Neutral	43	28.7	28.7	52.7
Agree Somewhat	26	17.3	17.3	70
Agree	24	16	16	86
Strongly agree	21	14	14	100
Total	150	100	100	---

Source: Data processed by the author

Table 20 displays the participant's responses to the question regarding the role of Islamic banks in improving business efficiency. The results indicate that 47.3% of participants strongly agreed that Islamic bank helps to improve business efficiency, while only 4.0% strongly disagreed, and 13.3% responded with a neutral stance. This outcome suggests that many participants believe that Islamic banking practices can facilitate and enhance business efficiency up to a large extent. The perceived ease of financing methods offered by Islamic banks may contribute to this favorable view among participants.

Table 20: Islamic banks help to improve business efficiency

Scale	Frequency (f)	Percentage (%)	Valid Percentage	Cumulative Percentage
Strongly disagree	6	4	4	4
Disagree	8	5.3	5.3	9.3
Disagree Somewhat	9	6	6	15.3
Neutral	20	13.3	13.3	28.7
Agree Somewhat	15	10	10	38.7
Agree	21	14	14	52.7
Strongly agree	71	47.3	47.3	100
Total	150	100	100	---

Source: Data processed by the author

Table 21 presents the responses of participants towards the question of whether Islamic banks provide trade financing. The results indicate that 47.3% of participants strongly agreed with this statement, 4.7% strongly disagreed, and 12% responded with neutrality. These results suggest that most participants in district Swabi are interested in utilizing trade financing services offered by Islamic banks.

Table 21: Islamic banks provide trade financing

Scale	Frequency (f)	Percentage (%)	Valid Percentage	Cumulative Percentage
Strongly disagree	7	4.7	4.7	4.7
Disagree	4	2.7	2.7	7.3
Disagree somewhat	7	4.7	4.7	12
Neutral	18	12	12	24
Agree somewhat	19	12.7	12.7	36.7
Agree	24	16	16	52.7
Strongly agree	71	47.3	47.3	100
Total	150	100	100	---

Source: Data processed by the author

The results in Table 22 indicate the participants' responses regarding their willingness to follow Islamic finance methods if an Islamic bank opens in the district Swabi. The responses show that most participants are interested in following Islamic finance methods, although the exact percentage of participants who expressed this interest is not specified in the table. This outcome suggests potential demand for Islamic financial services in the Swabi region.

Table 22: Will you follow Islamic methods if Islamic banks open in Swabi?

Response	Frequency (f)	Percentage (%)	Valid Percentage	Cumulative Percentage
Yes	150	100	100	100

Source: Data processed by the author

Table 23 presents the business information regarding Swabi-based retailers using Islamic finance. The data was collected from various business organizations using Islamic financing, indicating their interest in this financing method. Most of the firms in Swabi are engaged in trading, representing 54.7% of the sample, followed by services with a percentage of 22%, manufacturing at 9.3%, import and export at 8%, construction at 2.7%, and storage at 3.3%. This suggests that trading is the most prevalent business activity in Swabi. Regarding the business duration column, most firms have been in business for more than five years, representing 51.3% of the sample, while only 12% have been in business for less than a year. This implies that most firms have significant experience in their respective businesses.

Concerning the total assets column, 39.3% of the firms have assets exceeding 500,000, while 12.7% have less than 50,000. On the other hand, in the total liabilities' column, 50.7% of the firms have liabilities less than 50,000, and only 10% have liabilities exceeding 300,000. This suggests that the liabilities of these business firms are not high. Regarding the total capital side, more than half of the participants (52%) have capital exceeding 500,000, while 20.7% have less than 50,000. Regarding the number of employees, most Swabi-based retailer business firms have 5 to 10 employees, representing

29.3%, while some firms have more than 20 employees, which is 10%. Lastly, in terms of business organization, most Swabi-based retailer firms have family businesses, representing 57.3%, while 24.7% have partnership businesses, and only 18% have company businesses. This outcome suggests that most of the firms in district Swabi are family-owned businesses.

Table 23: Information about Swabian retailers and their business firms

	Variable	Frequency (f)	Percentage (%)
Business	Trading	82	54.7
	Manufacturing	14	9.3
	Import and Export	12	8
	Construction	4	2.7
	Storage	5	3.3
	Services	33	22
Business Duration	Less than 1 year	18	12
	2-3 year	32	21.3
	4-5 year	23	15.3
	More than 5 years	77	51.3
	Less than 50,000	19	12.7
	50,000-100,000	29	19.3
Total Assets	101,000-300,000	26	17.3
	301,000-500,000	17	11.3
	More than 500,000	59	39.3
	Less than 50,000	76	50.7
	50,000-100,000	33	22
Total Liabilities	101,000-200,000	15	10
	201,000-300,000	8	5.3
	More than 300,000	18	12
	Less than 50,000	31	20.7
	50,000-100,000	38	25.3
Total Capital	101,000-200,000	24	16
	201,000-300,000	14	9.3
	More than 300,000	43	28.7
	Less than 50,000	78	52
Number of Employee	5 to 10	44	29.3
	11 to 20	13	8.7
	More than 20	15	10
Business Organization	Family business	86	57.3

	Partnership	37	24.7
	Company	27	18

Source: Data processed by the author

VI. CONCLUSION AND POLICY RECOMMENDATIONS

This empirical study assesses Swabian retailers' attitudes towards Islamic methods of financing. The study's findings demonstrate that, despite the absence of formal Islamic finance practices in the Swabi district of Pakistan, most retailers know about all the Islamic finance methods. Interestingly, the retailers were more familiar with Musharakah (68%) and Quard-e-Hasana (58.7%) than other Islamic financing modes, including Mudarabah, Murabahah, Bai Muajjall, Bai Salami, Ijarah, and Istisna, which were relatively unknown. Furthermore, the analysis reveals that most respondents are potential users of Islamic financing methods. In particular, Musharakah and Quard-e-Hasana are the most commonly used Islamic financing methods among business firms operating in the Swabi district. In contrast, the other Islamic methods of financing are used less frequently. Additionally, the study highlights that some business firms neglect to apply Islamic financing methods in their operations due to inadequate knowledge and experience of Islamic finance.

Retailers' attitudes towards Islamic finance can be inferred from various socioeconomic and demographic characteristics, which can be advantageous for marketers seeking to optimize product targeting. Our empirical results highlight that religious motivation is the most vital determinant of retailers' positive attitudes towards Islamic methods of finance. As such, marketers should ensure that their products comply strictly with Islamic Shariah. Islamic Shariah boards, whether appointed by industry or government, are crucial in verifying financial institutions' adherence and offerings to Islamic Shariah. Furthermore, this knowledge can also be leveraged to guide efforts to alter the effect and behavior that result from these retailers' attitudes. However, given that these issues typically pertain to existing products, for which there were none during our analysis, we limit our observations to the modifications in beliefs underpinning these attitudes. Unfortunately, changing beliefs, while seemingly the most obvious way to modify attitudes, is often challenging.

In the context of our research, several approaches to changing beliefs may prove helpful. One strategy involves altering the significance of existing beliefs. For instance, given that the positive attitude towards Islamic methods of finance resulting from religious beliefs is already strong in predominantly Muslim countries, it may be possible to further reinforce these positive attitudes by emphasizing the community service role of Islamic finance. Although most retailers may agree with this belief, emphasizing it could make it even more influential. Another technique involves adding new beliefs to retailers' existing belief systems. Retailers are often more receptive to including new beliefs that do not conflict with their current beliefs. Thus, incorporating messages that underscore Islamic finance's unique services and community service role could bolster positive attitudes towards these finance methods. Furthermore, research on attitudes has indicated that retailers

may respond more favorably to marketing strategies that either acknowledge the negative aspects of the product, such as the fact that Islamic finance may be less profitable for depositors than conventional finance, or highlight the positive qualities of a competing product, such as the community care aspect of conventional finance. However, these two-sided appeals must include compelling arguments that ultimately demonstrate the superiority of the sponsoring product, emphasizing the distinctive advantages of Islamic finance methods.

The current study presents several directions for future research. Firstly, despite the existing empirical literature on Islamic finance, much remains to be accomplished regarding retailers' behavior research using more advanced choice modelling methods and larger sample sizes. Secondly, the current research on retailers' attitudes towards Islamic finance pertains to a particular national context. Consequently, it would be worthwhile to compare the results of a survey conducted in a country with a predominantly Islamic financial system to those with a dual-finance system and a country in the early stages of introducing Islamic finance. Finally, one factor contributing to the global growth of Islamic finance has been the inclination of national governments with a sectarian focus to endorse its establishment. It is unknown what specific role these governments have played in attempting to modify attitudes towards Islamic finance and any direct or indirect support or encouragement provided to financial institutions. Further research in this area would be beneficial in providing a more comprehensive understanding of the factors driving the expansion of Islamic finance on a global scale.

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