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Perception Of Working Women Towards Islamic Banking In Pakistan

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ABSTRACT

Successful launch of Islamic banking in Pakistan has crossed a decade. Still it is quite young in comparison to the conventional banking system. The success of Islamic banks lies with the perception of customers regarding halal banking transactions. Women acts as an important consumer socialization agent, hence plays a vital role in creating perception of a product in family. In the past decade, life style of women has changed from house wives to career oriented women. Hence, participation of women in decisions regarding financial matters of the family has increased. Marketers of Islamic banks have remained unable to launch awareness programstargeting women. This study aims at examining the perception of working women towards Islamic banking in Pakistan. 100 questionnaires were distributed, and response rate of 85% was recorded. For the analysis t-test was adopted to test the hypothesis. The respondents

Key words: Islamic Banking, Perception, working women, consumer behavior.

INTRODUCTION

Since past 10 years Islamic Finance has become one of the most rapidly growing financial sectors of international financial system. The most established fragment of Islamic financial sector is the banking sector. Islamic banking is growing 50% faster than all other banking sectors globally(World Islamic Banking Competitiveness Report 2012-2013). In Pakistan first attempt for the Islamization of economy of Pakistan was made in 1977-1978 by making the prevailed banking system an interest free banking system. It was a failed effort as it was considered to be just the renaming of banking system. In 1991 Federal Shari'ah Court declared the prevailed practices of interest free banking system un-Islamic. Many appeals were made against this ruling but remained unable to affect the decision and finally in 2001 Supreme Court of Pakistan gave final judgment on this matter. In the year 2000 the Commission for Transformation of Financial System (CTFS) was established in State Bank of Pakistan for the purpose of identifying the actions needed for the transformation of conventional banking system to Islamic financial system, also to identify the major Shari'ah complaint modes of financing. State bank continuously worked very hard to re-launch Islamic banking in Pakistan in proper manner. Finally in Jan 2002, first Islamic Banking license was issued to Meezan Bank Limited. In 2003, Islamic Banking Department was established in SBP to continuously monitor the Islamic Banking activities in the country (FAQs: State Bank of Pakistan n.d.). Currently in Pakistan number of full-fledged Islamic banks is 5 and 15 conventional banks with Islamic banking branches is 15, hence 19 Islamic banking institutions are currently offering Islamic banking services in Pakistan, with 1115 number of branches (Islamic Banking Bulletin June 2013). Islamic banking in Pakistan is still young, but the performance of Islamic Banks has grown with an outstanding rate. Pakistan now holds 8th rank among top 10 countries in Islamic banking and finance (Global Islamic Finance Report 2013) and share of Islamic banking deposits in banking industry of

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Pakistan from 2010 to 2013 has grown from 6.4% to 10% approx. (Islamic Banking Bulletin June 2010 & June 2013) showing a remarkable growth rate of 64% approx.

Lodhi (2005) highlighted the fact that in 2005 when Islamic Banking in Pakistan was at its infancy stage majority of people were of the opinion that in Pakistan Islamic spirit is lacking in the Islamic system i.e. the financial system. In order to remain competitive, Islamic banks must address the issues regarding customer satisfaction and marketing their products. It has been observed that while targeting the potential customers,marketers of financial institutions have neglected the fact women constitutes a major portion of work force in today's world. By targeting working women number of customers can be increased in a substantial manner.

Islam has placed a great deal of importance on women: especially mothers. It is stated, "Be at your mother's feet and there is the Paradise." (IbnMajah) Mother is considered to be the first learning place of child. She is generally the first source of introduction to the religion. It is observed that if a mother is convinced of any of the fact regarding Halal or Haram, her children will definitely follow her, till a certain age without any question and later could deny it, if some authenticate information says otherwise. Thus, in a family, if mother consider Islamic banking, halal, then her children will follow her.

Mothers are considered to be an important consumer socialization agentfor children (Sharma 2011; Neeley and Coffey, 2007; Ozgen, 2003; North and Kotze 2001; Carlson et al, 1988). Many researcheres have studied the role of parents as consumer socialization agents for children (Sharma 2011; Özgen 2003; Carlson 1988). These previousstudies evaluated the influence of parents on buying behaviour of consumer goods.Unfortunately no research has been found, evaluating the role of parents or mother in creating the perception of Islamic banking among children. Importance of role of woman in a family is an unquestionable matter. Woman plays a vital role in family. Mother has a direct influence on her children. In today's world, woman is living a balanced life i.e. balance between house affairs and career. According to Pakistan Bureau of Statistics' Employment Trends Report 2011, during the last decade the increment percentage of women participation in workforce is from 16.3% to 24.4%. The aim of this study is to identify the perception of working women towards the shari'ah complaint nature of taransactions being performed by Islamic banks as, if working women percieve Islamic banking as Halal banking, not only she will be a customer of Islamic banks but alose will have an influence over her children. Hence, the respondents of the study are working women. The key research questions are:

- Do they have any knowledge of Islamic banking system?
- What is there perception towards Islamic Banking products?Do they percieve Islamic banking products as change of labels of conventional products?
- Is there any relationship exists between experience and perception of working women towards islamic banking?

This paper is divided into four sections. First section is the review of existing literature. Second section is the discussion on methodology and analysis tools used for this paper. The third section is the analysis of data and last is conclusion and recommendations.

LITERATURE REVIEW

Customer Perception towards Islamic Banking: An act of understanding, discerning and becoming aware of through the senses is perception (Albrecht 2003). Customer satisfaction level determines customer perception towards products or services. Level of customer satisfaction is generally evaluated in terms of features and quality of services by an institiution. Numerous researches have been done in this area to measure satosfaction of customers. The most important factor for the success of Islamic

Banking around the world is the Islamic belief or perception of Muslim community that the transactions being performed by the Islamic banks are in accordance with the Shari'ah. Studies have shown that there are other equally important factors that contribute towards the success of Islamic banks that are entirely non-religious factors (Bashir 1984). Studies have highlighted different dimensions that are considered by the depositors of Islamic banks. Some of these are Shari`ah rules application, reliability, tangibles, bank-customer relationship, and rates and charges (Abduh 2011). Among these factors Shari'ah is considered to be the most important factor on which customers are not willing to compromise and any violation on this factor leads to the withdrawal action (Abduh 2011).

According to Erol and El-Bdour (1989) the key criteria used by customers for selecting Islamic banks is the provision quick and efficient bank service, reputation of bank and confidentiality.Sudin et al (1994) found speed of transaction is also an important factor considered by the customers along with the factors identified by Erol and El-Bdour (1989) Metawa and Almossawi (1998) conducted a research on Bahrain customers to analyze the behavior of customers of Islamic banks. The findings of their paper show that the main factors considered by the customers are conformity with Islamic principles and rate of return.

Numerous researcher have found different criteria for customer perception measurement. These studies have provided understanding of factors that contribute to satisfaction of customers towards provision of Islamic banking products and services.

Women - A Consumer Socialization Agent: Mother is identified as one of the key socialization agents among all family members. (Neeley 2007, Özgen 2003, Carlson 1988). Economic and social status of mothers was found to have direct impact on consumer socialization of child. Single mother were found to have lesser influence on children (Roshan et al,1993), while full time working mothers let there children to shop, hence expose them more to shopping (Haynes et al, 1993). Also according to Flouri (1999) children's level of metrialism can alone be predicted reliably through communication style and materialism of mothers.

METHODOLOGY

Sample: For this research paper 100 questionnaires were distributed. Response rate was 85%. Respondents are working women: single or married, of Karachi from every profession with different income classes. Age group ranges from 20s to 50s.

Measures: The questionnaire was structured in three sections. Section one included the demographic profile of respondents. Section two includes information about the existing account. Section 3 was based on 5 point Likert scale.

Data Analysis Tool: To check the reliability of the data SPSS v.19 was used. In order to test the hypothesis Ms Excel – QI Macros 2013 was used. Z-Testwas used to analyze the data.

DATA ANALYSIS AND DISCUSSION

Profile of Respondents: In this study, perception of working women and their awareness towards Islamic banking are checked. Table I presents the general characteristics of data.

Reliability of data is tested by applying Cronbach's alpha. Results are 0.576.

Bank Account Profile of Respondents.: Table II represents the type of banking services respondents are currently using. These shows approx. 74% of respondents are currently using conventional banking services. This is a huge percentage and it is important to understand the reasons for not utilizing the Islamic banking services.

Selection Criteria for Islamic Banking: It is observed that women are the neglected part for perception building campaigns for Islamic banking products. Still 22.35% (Table III) women have no idea why Islamic banking should be selected.

Knowledge of Islamic Banking System: In accordance with the previous observation, only 35% of the respondents were found to have good knowledge while rests either have average or no knowledge regarding Islamic banking products and services. Table IV represents the results regarding this matter.

Perception of Islamic Banking: The perception of working women regarding Islamic banking was determined by asking a direct and an indirect question i.e. in their opinion whether Islamic banking is truly Islamic or not and whether they think that both are same except the packaging. As shown in table V, minimum percentage of respondents perceives Islamic banking truly Islamic.

Marketing: Respondents were asked about the adequacy of current marketing programs of Islamic banks. Results suggest that 37% of respondents believe it to be adequate, while rest believe it to be insufficient or average. Table VI represents the results.

Future Prospects: During the study it is found that even though respondents perceive Islamic banking not truly Islamic, majority i.e. 58% approx. still believe that it has a good potential in Pakistan (Table VII).

Table I

AGE			MARITAL STATUS		
	Frequency			Frequency	
<30 years	46	54.12%			
30-39 years	18	21.18%		46	54.12%
40-49 years	18	21.18%	Single	39	45.88%
50 and above	3	3.53%	Married		
	85	100.00%		85	100.00%

Table II

PRESENT A/C	Frequency	
Conventional Bank	65	76.47%
Islamic Bank	11	12.94%
Both	9	10.59%
	85	100.00%

Table III

	Frequency	
Strictly religion	26	30.59%
Economics (profit & cost elements)	8	9.41%
Both religion and economics	28	32.94%
Other reasons	4	4.71%
No idea	19	22.35%
	85	100.00%

Table IV

	Frequency	
Good	30	35.29%
Average	28	32.94%
Bad	27	31.27%

Table V

Q1	Frequency		Q2	Frequency
Agree	15	17.65%	17	20.00%
Disagree	32	37.65%	37	43.53%
Neutral	38	44.71%	31	36.47%
	85	100.00%	85	100.00%

Table VI

Marketing	Frequency	
Adequate	25	36.47%
Insufficient	31	29.41%
Neutral	29	34.12%
	85	100.00%

Table VII

	Frequency	
Good potential	49	57.65%
No future	12	14.12%
Neutral	24	28.24%
	85	100.00%

A relationship between experience and perception of working women towards Islamic banking was tested using Chi-square. Results suggests that the there is no statistically significant relationship between experience and perception of working women. Hence, null hypothesis is rejected. Table VIII represents the results of the test.

Table VIII

Chi-Sq	46.46957
p	0.999708
?	0.05
Variables are Independent	

CONCLUSION

Findings of the study suggest that Islamic banks have good potential in Pakistan. Majority of working women found to have negative perception and limited knowledge regarding Islamic banking products and services. This suggests that Islamic banks should work on new marketing campaigns while targeting this very important sector of Pakistan i.e. working women in order to become more competitive and to enhance the customer base. It is also found that perceived religion and economics factors of majority of respondentsare the most important patronage factors for selecting Islamic banks. Although majority still has no idea which factor should be preferred. Therefore it is suggested that programs to educate customers and potential customers regarding importance and basic principles of Islamic banking.

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