

Perceptions of Stakeholders on Islamic Banking in Pakistan

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Abstract

The aim of this study is to investigate the perceptions of various stakeholders about the objectives of Islamic banks and their priorities. The stakeholders included in this study are Muslim and non-Muslim respondents, customers, employees and managers of both Islamic and conventional banks. As regards methodology, data was collected through personally administrated questionnaire from 686 respondents of Lahore metropolitan. Response rate was 60.84%. There are five major Islamic banks operating in the country and the city. The study gives a brief view of the objectives of Islamic banks as perceived by the stakeholders of Islamic banks and traditional banks including both Muslim and non-Muslim communities. It adds to the existing body of knowledge on objectives of Islamic banks and highlights the understanding of Muslim and non-Muslim respondents, and conventional and Islamic banking stakeholders. Its findings may help the management of Islamic banks to restructure their policies and practices which might contribute in terms of socio-economic objectives and sustainable growth of economy and finance.

Keywords: Islamic banking, Pakistan, stakeholders.

KAUJIE Classification: B0, J3.

JEL Classification: E5, G2, I3.

1. Introduction

Global financial markets have witnessed enormous growth of Islamic banking in the last three decades. It has been acknowledged as a competitive and viable market, offering wide range of financial products and services, both in Muslim and non-Muslim countries (Dusuki, 2008).

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Since its inception in mid-1970s, this market has shown swift growth. In fact, it is believed to be the fastest growing industry across the globe, crossing double digit growth rate since its beginning (Iqbal & Molyneux, 2005). As discussed in theory, Islamic financial system is different from the conventional system.

The basic difference between conventional and Islamic banks may not only be attributed to operations, it is rather the value system that draws a distinctive line (Dusuki, 2008). These values are derived from the Sharī'ah principles expressed not only in the details of the transactions, but also practiced at all societal levels. The Islamic banking practices, thus, demand a universal application and understanding of these laws. By doing so, an organization can achieve the objective of promoting social and economic welfare of masses. In other words, it is imperative for Islamic banks to launch such a system where welfare and social obligations are the primary objectives. However, it is not unrealistic to believe that attaining such objectives looks like a mirage that is far away from reality. This may be attributed to the commercial and economic aspects, which have been emphasized by previous researchers; but social issues have not been given due importance (Dusuki, 2008).

This concept suggests that welfare is the prime consideration for a bank working under Sharī'ah compliance along with the commercial objective of business for profits. Social welfare objectives are deemed to be pursued by responsible agencies like government (Satkunasegaran, 2003; Lewis & Algaud, 2001). Thus, investigating Islamic banks and their social welfare perspective is an area that should be given due importance (Dusuki, 2008). This study focuses on investigating the perceived objectives of Islamic banks by various stakeholders. This has been probed by following research questions:

RQ1: What are the objectives of Islamic banks in Pakistan as believed by various stakeholders?

RQ2: Is there any difference of opinion about objectives of Islamic banks, as perceived by various stakeholders (e.g. customers of Islamic and that of conventional banks; managers of Islamic and that of conventional banks; and Muslim and non-Muslim customers)?

This investigation is largely valued in Pakistan's banking system. Here Islamic banks have grown rapidly working in parallel with the conventional banks. As both the systems are competing on various lines, it is imperative that various stakeholders should understand the differences of these systems and value the better one.

The remainder of this research covers the following: literature review, research methodology, followed by the findings, discussion, implications, and conclusion of the study.

2. Literature Review

2.1. Objectives of Islamic Banking

This study is conducted to discuss the objectives of Islamic banking and its theory as perceived by various stakeholders. An Islamic bank is a representation of Sharī'ah-oriented business entity. So it is expected that this entity would function according to the rules of Islamic business. Haron (2005) elaborated two aspects for implementing right philosophies of business for any Islamic bank. The first one is that these philosophies can be used for formulating corporate goals and policies by policy makers or higher management and the second that they can be used as a benchmark to know whether a bank is doing business according to these principles or not.

It is contended that the theory of Islamic banking follows the goals of Islamic economic system. Many renowned Islamic economists, Chapra (1985, 2000a, b), Ahmad (2000), Naqvi (2003) and Siddiqui (2001) asserted in their studies that Islamic banking system is a part of Islamic economic system whose main objectives are to create justice, fairness and balance in a society. These goals are engraved in Sharī'ah law and are also known as *maqāsid al-Sharī'ah*.

Many prohibitions, like gambling, interest, excessive risk etc., are highlighted in market place to guard the benefits and interests of all parties involved in a transaction. It creates social harmony in the society (Naqvi, 2003; Siddiqui, 2001; Ahmad, 2000; Chapra, 1985, 1992, 2000a, b). The whole system of the Sharī'ah Law is based on social ethics and moral framework. Islamic banking system is also formulated to ensure social commitments and ethical norms of society (Ahmad, K., 2000; Mirakhor, 2000; Warde, 2000). Islamic banking is not limited to the interest free system with the capability of offering Islamic financial products according to the legal requirements and technicalities. It also aims to create justice in society and contributes in the fulfillment of socio-economic objectives (Haron & Hisham, 2003; Hassan & Musa, 2003; Siddiqui, 2001). In the business context, Islamic banking tries to get sustainable balance between spending and earning to spread the progress to the whole community (Al-Omar & Abdel-Haq, 1996; Haron, 1995).

Islamic banks are believed to be a major contributor for social benefits, which is closely in line with the Islamic considerations themselves. This philosophy distinguishes Islamic banks from traditional banks. While undertaking their core operations, Islamic banks also emphasize on the social implications of their banking decisions and actions. It is therefore worthy to note that profitability despite being an important purpose is not the sole purpose of existence of Islamic banks. A good performer is decided on the basis of social contributions rather than mere profitability. Such social goals are largely understood and shared by an Islamic system. They can neither be neglected nor dispensed (International Association of Islamic Banking in Al-Omar and Abdel-Haq, 1996).

The illustrated statement denotes the essence of all social obligations to be fulfilled which are expected from Islamic banks. Islamic banks formulating and working on the bases of Islamic Law must depart from conventional banking approach that is based on the rules of capitalistic economy, i.e. profit maximization at any cost to others and the society. The duty towards community and justice, as suggested by Islam, makes the prosperity of all individuals an important objective of Islamic banks. So, the maximization of financial profits cannot be the ultimate achievement or goal of Islamic banks. They have to ensure justice and fair play in the society and satisfy the spiritual need of an individual for '*ribā*' and gambling free business (Al-Omar & Abdel-Haq, 1996). Profit maximization is the main goal of conventional business institutions but Islamic banks have to fulfill both objectives i.e. the profit maximization and social obligation (Ahmad, 2000). So, it would be wrong and unfair if management of Islamic banks focuses only on profit maximization and ignores its social obligations (Haron, 1995). Instead, Islam struggles to balance the social objectives and profit. It is considered unfair if Islamic banks are not able to give satisfactory returns to depositors and shareholders who trusted them and gave them their money. At the same time, Islamic banks are not expected to enhance their profit by increasing the charge to their customers and ignoring their social responsibility.

2.2. Objectives in terms of Models of Islamic Banking

Generally there are two aspects that define the objectives of Islamic banking. One view, denoted as Chapra's Model, perceives that Islamic banks have socio-economic purpose (Lewis & Algaud, 2001). According to the advocators of this view like Rosly and Bakar (2003); Haron and Hisham (2003); Naqvi (2003); Siddiqui (2001); Ahmad (2000); Haron (1995); Siddiqui (1985, 1983); Ahmad (1984); Sadr (1982); and others the Islamic banks cannot be merely a profit oriented organization. Rather, it

has to be aimed to promote Islamic customs and ethics and promote Islamic usiness culture as a whole. This model assigns greater social duties and religious obligations to Islamic banks for achieving the Islamic economic goals including justice in society, equitable distribution of wealth and income and promotion of economic development. So, Islamic banks should promote social activities and welfare programs. A well-known Sharī‘ah Scholar Wahbah Al-Zuhayli also endorses in his famous book *al-Fiqh al-Islamī wa adillātah* the socio-economic framework of the IFIs, “*The primary goal of Islamic financial institutions is not profit-making, but the endorsement of social goals of socio-economic development and the alleviation of poverty*” (p. 350). Furthermore, he states:

Islamic financial institutions attempt to link the economic and social development goals in a harmonized overall framework based on Islamic teachings. They avoid excessive speculative or untruthful transactions, which can have an adverse economic and social effect on the nation (Al-Zuhayli, 2003).

On the other hand, according to the model suggested by Ismail, Islamic bank is an ordinary commercial body that runs its business activities in the shade of Islamic law (Satkunasegaran, 2003; Lewis & Algaud, 2001). It states that satisfying the shareholders and depositors of bank is the main obligation of an Islamic bank as in the case of conventional banks. Objective of social welfare can be achieved by other social entities like government. For social purposes, *zakāh* is paid by all Islamic banks as social contribution and fulfillment of rule of Sharī‘ah. It would jeopardize the sustainability of Islamic banks if they use depositor’s money or shareholder funds to fulfill social obligation. This view is similar to the Western neo-classical view, especially the concept of Friedman related to firm’s responsibility. This concept argues that serving the society could be a personal interest of an individual. In this model, profit maximization is the only genuine objective of a commercial entity which operates according to the predetermined rules and regulations.

Practically, the difference between the above two frameworks is that of the priority. One emphasized that social responsibility should be the priority of the bank while the other one placed it in secondary. Chapra’s framework gives more weightage to direct social obligation in Islamic Banks, whereas, Ismail’s model implies that social objective can also be achieved indirectly without disturbing the sustainability of banks.

With reference to these two models of Islamic banking, Lewis and Algaud (2001) claim that the importance of these two behaviors may vary from bank to bank depending on their systems. In their statement Lewis and Algaud (2001) contend that: [. . .] although the set of legitimate financing operations and practices is common to both settings and applies to all Islamic institutions, some activities may be preferred over others depending on the objectives.

Satkunasegaran (2003) claims that Ismail's model is applicable in multi-religious countries such as Malaysia; whereas Chapra's model is more suitable for Islamic countries that have majority of Muslims in their population and who may contribute in social role of a bank. To identify the actual practice of Islamic banking, we are going to investigate the following null hypothesis by having these two distinguished concepts in mind especially relating to the social commitments of Islamic banks.

H_0 : There are no significant differences in the various stakeholder groups' opinion in perceiving the importance of social-welfare and commercial objectives of Islamic banks in Malaysia.

3. Methodology

Considering the directions and guidelines given by Dusuki (2008) in terms of objectives of Islamic banks in Malaysia, an instrument was developed which was tested for validation by three experts in Islamic banking. In this stage, these scholars and experts commented on the contents of the questions about the objectives of Islamic banking. They were required to look at the contents, accuracy of the contents, and were requested to add or remove an objective or more. There were certain changes as noticed at the end of this stage. After incorporating all the recommended changes, the new version of the script was distributed to 20 faculty members, branch managers of Islamic banks, and Sharī'ah advisors of those banks. This time it was noticed that very few changes were recommended. The main problems identified here related to language, wording, presentation and sequence of the questions.

The finalized instrument had ten items (5 items each for commercial and social objectives). Each item was probed by five point scale (1 for the least important objective and 5 for the most important objective). The items included:

- Commercial objectives:
 - To maximize profit
 - To increase shareholders' wealth
 - Minimizations of operational costs

- Enhancing quality of products and services
- Offering competitive financial products and services
- Social objectives include:
 - Contribute towards social welfare
 - Alleviate poverty in the society
 - Promoting Islamic values
 - Promoting sustainable development
 - Bridging Allah and His vicegerent

3.1 Sample and Data collection

This study involved following stakeholders of Islamic banks as the respondents for the study, (i) non-Muslim customers of conventional banks, (ii) customers, employees, and branch managers of both conventional and Islamic banks; along with students of banking, going through the courses of banking at undergraduate or graduate levels. All these parties meet the basic requirements of being stakeholder, as defined by Freeman (1984) as “any group or individual who can affect or is affected by the achievement of the firm’s objectives”.

The questionnaires were distributed to 22 branches of Meezan Bank and Bank Islami, two major full-fledged banks operating in the country. Each branch consisted of eight employees at average (6-11 employees). Out of 178 employees only 109 responded back. With regard to the questionnaire kept at the customers’ desks of the selected banks, 139 customers responded back. Overall 220 questionnaires were dropped there and were handed over to the internees working there. Students from business studies from a large public sector university also responded for their perception of objectives of the Islamic banks. All in all, 250 questionnaires were distributed randomly, out of which 189 received back. This sampling procedure has been preferred for its ability to eliminate sampling frame errors. Previous studies on banking organizations, like Dusuki (2008); Owusu-Frimpong (1999); and Gerrard and Cunningham (1997), also implied same sort of sampling design. Respondents from conventional banks included their branch managers, employees and customers. There were seven branch managers, 79 employees (against 150 questionnaires distributed), 108 customer (against 200 questionnaires distributed), and 33 non-Muslim customers (against 100 questionnaires distributed) as respondents. This sample was selected on the basis of convenience sampling technique. Before getting the responses from various stakeholders, a detailed meeting was conducted with the management of the respective banks. The purpose of the study and its

importance was conveyed. After their willingness and promise to support, the survey was carried out.

In general, 1127 questionnaires were distributed, out of which 686 responses received back were useful. The response rate was 60.86 per cent, which is considered sufficient and large enough for generalizability (Stevens, 2002).

4. Analysis

Data collected through questionnaire was analyzed through SPSS version 18.0. The techniques applied consisted of factor analysis and Kruskal-Wallis test.

Table 1

Target Groups	Distributed Questionnaire	Usable Returned and Completed Questionnaire	Response Rate (per cent)
<i>Meezan Bank and Islamic Bank</i>			
Branch Manager	22	22	100
Employees of Islamic Bank	178	109	61.23
Customers	220	139	63.18
Student	250	189	75.60
<i>Conventional Bank</i>			
Branch Manager	7	7	100
Employees of Conventional Bank	150	79	52.67
Customers	200	108	54
Non-Muslim Customers	100	33	33
Total	1127	686	60.86

4.1 Factor Analysis

Factor analysis of the responses on objectives of Islamic banking was done through SPSS. Factor analysis is widely accepted and applied technique to reduce larger number of variables to smaller numbers by linking them together in groups (Emory and Cooper, 1991). This technique serves the purpose of the study as social and commercial objectives have many implications as perceived by the respondents. De Vaus (2002) denotes that such factors may not be any single measurable entity but a combination of many other directly observable variables. Factor analysis can help in clustering these factors in groups of common characteristics. It is also helpful in distinguishing various variables despite the similarity existing among them (Hair *et al.*, 1998). All necessary steps prior to factor analysis were conducted. The first of all was Kaiser-Meyer-Olkin measure which showed acceptable value (0.82) which is deemed appropriate for factor analysis. The factorability of correlation matrix was also obtained in which case Bartlett's test of sphericity showed statistical significance (0.000). In follow up, factor analysis was done using principal component analysis and varimax rotation with Kaiser Normalization.

Two methods are useful in factor analysis i.e. oblique rotation and orthogonal rotation. The former one is useful in identifying and constructing the factors that are highly correlated, while the later one identifies the factors that are unrelated to each other (Hair *et al.*, 1998). As there are no proper guidelines given to researchers about selection of orthogonal or oblique rotation, this study implied varimax orthogonal rotation as it was desired to find out unrelated factors (commercial and social objectives). All the variables which load (correlate) with the first factor are clustered and presented in the first factor, while the variables correlated with second factor are presented in the second cluster. It is also noticeable that an orthogonal rotation clearly divides variables in factors which may not be distinctive and unrelated. In order to overcome this deficiency, oblique rotation was also applied, as suggested by Hair *et al.*, (1998). It was noticed that variables loading was same for both orthogonal and oblique rotation.

Table 2 reveals that there are two factors and there is no instance of cross loading over factors. Moreover, Eigen value fell within recommended guidelines (Hair *et al.*, 1998). The entire factor loading were acceptable (> 0.30). Thus the variables loaded well on their factors. The two factors explained 58% of the variance, with 29.54 and 28.43 percent contribution by each factor. This table also reports communality of each variable. Communalities report correlation among ten variables. The

higher the correlation among variables, the greater is the communality among them. All the indices were acceptable (0.499 to 0.616). Higher the correlation, greater will be the possibility of formation of the factor among those variables. It is evident that all the variables under the head of commercial objectives have high commonality value. All the items covering materialistic objectives of banks thus fall under one factor and the factor could be named as commercial objectives. The second cluster formed under the head of social welfare covers only those variables which are not traditional and are not usually reported by conventional banks except Islamic banks. Since social welfare objective has greater eigen value and variance (eigen value = 3.104, variance = 29.54%), it could be inferred that all of the stakeholders believe that social welfare is the prime objective of the Islamic banks and commercial objectives are the secondary objectives of such banks.

This reveals the results for RQ1 which aimed at investigating the main purpose of Islamic banks as perceived by various stakeholders. It is evident that stakeholders believe that Islamic banks should work to promote Islamic values towards its employees, customers, clients and general public. They should work for the broader sake of social welfare. These findings stand by the assertions of previous researchers like Dusuki (2008); Al-Zuhayli (2003); Haron and Hisham (2003); Naqvi (2003); Rosly and Bakar (2003); Siddiqui (2001) and Ahmad (2000); who commented that Islamic banks should not solely operate for profit and wealth maximization; rather their focus should be on Islamic values, norms and principles and they should work for the welfare of society as a whole. This view basically values social welfare as the greatest religious responsibility upon all its members and institutions so that Islamic economic objectives (e.g. interest free services, equitable distribution of wealth, social justice and economic development) could be achieved.

It is worth mentioning that one should not conclude that Islamic banks should only operate to attain the social objectives. In broader perspective these banks should rather work to enhance their productivity and improve service quality. They may concentrate on the diversified products and services and should work to grow and progress Dusuki (2008). Wilson (2003) also claims that Islamic banks should not only concentrate on fulfilling the expectations of being religious and welfare-oriented organization, rather there should be proper consideration given to the needs and satisfaction of customers.

Table 2: Factor Analysis for Objectives of Islamic Banking

	Factor	
	Social welfare	Commercial objective
To maximize profit		0.770
To increase shareholders' wealth		0.713
Minimizations of operational costs		0.669
Enhancing quality of products and services		0.701
Offering competitive financial products and services		0.798
Contribute towards social welfare	0.726	
Alleviate poverty in the society	0.725	
Promoting Islamic values	0.682	
Promoting sustainable development	0.610	
Bridging <i>Allah</i> and His vicegerent relation	0.791	
Eigen value	3.104	1.302
Variance explained	29.543	28.430
Cumulative Percentage	29.543	57.972

4.2 Kruskal-Wallis Test

In order to compare the view of diverse stakeholders, SPSS was again used where Kruskal-Wallis test was applied. It is a non-parametric test and is known as distribution free test requiring less strict assumptions about population and type of data. Unlike the parametric tests (e.g. F-test) which require normally distributed data measured at interval levels, it requires data not to be distributed normally or at intervals, or when the measure of the variables is at ordinal scale. Though, it is not as powerful

tool as parametric tests, but increasing the sample size can increase its worth (de Vaus, 2002).

Presumably, not all groups of stakeholders will assign the same degree of importance to social or commercial objectives of Islamic banks. It is, therefore, fair to assume that stakeholders may differ in their perception of objectives of Islamic banks. This was probed through research question (RQ2) and investigated through Kruskal-Wallis test. Its results are presented in table 3.

The Kruskal-Wallis test reveals that the degrees of importance for all stakeholder groups are different for both categories of the objectives of Islamic banks. The factor 1 (social objectives) and factor 2 (commercial objectives) χ^2 values are 53.45 and 97.460 respectively, which are higher than the tabulated values ($\chi^2=13.60$, significance=0.05, df=7). Thus, the null hypothesis about equality of importance by all stakeholder groups is not supported. Moreover, the observed level of significance for all stakeholder groups is lower than 0.05 confidence level, which helps us infer that the variations are more likely to occur in the whole population. In order to see the difference among stakeholder groups about the objectives of Islamic banking, mean rank column is given.

A look at the mean rank scores shows that non-Muslim customers assigned the highest rating to the social welfare objectives than other stakeholder groups. This is not surprising as the non-Muslim respondents always see religion as a tag with the products offered by Muslims or a product/service/or service provider holding a name "Muslim" with it would be believed to be a religious oriented offering (Rezai et al., 2012). Students were the respondents who rated social welfare as the most important objective, followed by Islamic banks customers, employees, and branch managers. It is interesting to notice that conventional banks' employees, customers, and branch managers rated this objective as the prime objective of Islamic banks. All these stakeholders believed that Islamic banks currently work for the economic and commercial benefits rather than the social welfare. Interestingly, students were the respondents who rated commercial objectives the most important after conventional banks respondents (employees, branch managers, and customers). It shows that students view that Islamic banks are required to work for social welfare but should consider commercial objectives (growth, products & services, profits and development) as well. These results are consistent with the views of various researchers (e.g. Dusuki, 2008; Al-Zuhayli, 2003; Haron & Hisham, 2003; Naqvi, 2003; Rosly & Bakar, 2003; Siddiqui, 2001; Ahmad, 2000) who contended that Islamic banks should

consider both social and commercial objectives simultaneously. Respondents from Islamic banks (employees, customers, and branch managers) and non-Muslim customers rated commercial objectives as less preferred when compared with the social objectives. Nevertheless, it is noticeable that all the stakeholder groups attach certain degree of importance to commercial objectives with social objectives implying that Islamic banks work for both these objectives.

Table 3: Comparison of Stakeholders’ perception of Islamic banks

Variables/ Factor	Subgroup	<i>n</i>	Mean Rank (Σ)	χ^2	Asymp sig (<i>p</i>)
Social Welfare	Non-Muslim Customers	33	765.43	$\chi^2=53.4$ 46	.000
	Students	189	734.85		
	Customers (Islamic Banks)	139	698.29		
	Employees (Islamic Banks)	109	654.67		
	Branch Managers (Islamic Banks)	22	647.24		
	Employees (Conventional Banks)	79	644.38		
	Customers (Conventional Banks)	108	638.71		
	Branch Managers (Conventional Banks)	07	623.92		
	Commercial Objectives	Employees (Conventional Banks)	78	943.97	
Branch Managers (Conventional Banks)		07	856.13		
Customers (Conventional Banks)		106	796.34		
Students (no-banking relations)		186	778.90		
Employees (Islamic Banks)		109	725.87		
Customers (Islamic Banks)		137	715.22		
Branch Managers (Islamic Banks)		22	709.10		
Non-Muslim Customers		33	687.46		

5. Conclusion

This study aimed at investigating the important aspect of objectives of Islamic banks in a dual banking environment as currently in Pakistan. The main focus of the study was to see the perceived objectives of Islamic banks by various stakeholders ranging from Muslim to non-Muslim respondents and Islamic banks respondents to conventional banking respondents (employees, customers, and branch managers). The study finds that Islamic banks are believed to work for social welfare, as a primary stake, along with commercial objectives for sustainability. But it is also interesting to notice that non-Muslim customers have the most firm consideration that Islamic banks are meant to work for social welfare and they rated commercial objectives as the least important consideration. There was no significant difference noticed in the perception of various stakeholders. However it is imperative to note here that Islamic banks should ensure that all their transactions are Sharī'ah-compliant in-line with both legal and social substances as provided by the Sharī'ah.

These results may be attributed to the prevailing customs and beliefs in Muslim societies. Same sort of results were reported by Dusuki (2008) when he found that Islamic organizations (banks) are perceived to be attending social objectives at first instance, rather than merely emphasizing on the commercial objectives. Other studies e.g. by Al-Zuhayli (2003); Haron and Hisham (2003); Naqvi (2003); Rosly and Bakar (2003); Siddiqui (2001) and Ahmad (2000) also accepted the significance of social welfare objectives along with commercial considerations.

6. Implications and Limitations

There are a number of practical guidelines for Islamic banks operating in Pakistan or other parts of the world. First and the foremost of all is that Islamic banks should not only emphasize on the objectives of profit maximizations, enhancing their business and services, or offering competitive products. Rather, they should also focus on social welfare consideration (e.g. alleviating poverty, equitable distribution of wealth, social welfare, promoting sustainable development) and should pool their financial resources to enhance social welfare opportunities. It leaves a message that Islamic banks should become socially responsible firms by focusing on the social welfare. This will not only increase their corporate image but also help them in boosting their market share. The results are applicable not only in Muslim world but also to non-Muslim countries. The non-Muslim respondents valued social consideration the prime

objective and commercial objective as the least preferred objective of Islamic institutions. This consideration can help Islamic banks in increasing their market share by focusing on financing of such sectors and subsectors that non-Muslim customers are also attracted towards Islamic banking.

Another important finding of this study is the fact that Islamic banks cannot depend only on performance in financial terms, but they have to be equally responsible in terms of their social considerations. This clarifies that welfare and commercial objectives should not be collided. Instead, commitment towards both social and commercial goals should be aligned to get a good objective mix.

This study has some limitations as well. The foremost of all is that this study does not analyze the actual behavior of these stakeholders and discusses their perception only. In other words, it is not conclusive because the perception may or may not influence their patronage or investment behavior. It is therefore imperative that future studies should focus on the empirical support to see the outcomes of perceptions of stakeholders in shape of social investments made by Islamic banks. This study is expected to guide future researchers to use more rigorous statistical tools (e.g. multivariate analysis) to see the impact of social investments on overall performance. Future studies should also align the perception and actual social practices being performed by Islamic banks and their impact on their patronage behavior.

To conclude, Islamic banking has become a promising sector which can serve the purpose of promoting the objective and noble cause of Shari'ah that is the socio-economic justice, while aligning the social and commercial objectives. Such a balanced strategic orientation can work with good service quality to improve the worth of Islamic banks and their contribution to economy and society.

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