

Exploring the Impediments faced by the Banking Customers to Adopt Islamic Banking Services in Pakistan

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Abstract

Islamic banking facilitates Muslims to comply with their religious obligations while fulfilling their banking needs. Surprisingly, adoption of Islamic banking services remains low compared to conventional banking in various Muslim countries. The objective of this qualitative study is to explore why conventional banking customers don't adopt Islamic banking services in Pakistan. Semi-structured in-depth interviews were conducted with fifty customers of conventional banks. The findings suggest that conventional banking customers are hesitant to adopt Islamic banking services in Pakistan owing to their lack of knowledge about Islamic banks, their liking conventional banks because they consider current Islamic banking not really Islamic, poor service delivery at Islamic bank branches, geographical barriers and some social reasons. The social reasons preventing adoption of Islamic banking services include friends and family's influence to open a conventional bank account, unacceptability of Islamic bank account in one's social circle, and employers transferring salaries in conventional banks. Based on this research, we propose policy implications to Islamic banks management for capturing the conventional banks customers in Pakistan and providing better services really in line with the Islamic principles. Finally, limitations of this study and future research directions are discussed.

Keywords: Conventional bank, Islamic bank, Banking, financial services, Pakistan.

KAUJIE Classification:

JEL Classification:

Introduction

Islamic banking is a distinctive form of banking system that has to operate according to the Islamic laws (i.e. Shariah). Contrary to the conventional commercial banking system, Islamic banking offers interest free banking options to the customers (Abraham, 2010; Samad & Hassan, 1999). It has to avoid interest (i.e. Riba), a risk-free return on the principal amount, which is forbidden in Islam. Thus, any bank labeling itself as Islamic bank must focus on business risk based profit and loss sharing deposits and business transactions with their customers (Lodhi & Kalim, 2005; Abraham, 2010). The international infrastructure Islamic bank (i.e. Islamic development Bank) was established in 1970's (Alharbi, 2015). Meezan bank was the first Islamic bank that started its operations in Pakistan in 2002 (Ahmad & Baloch, 2007). Presently, five Islamic banks are working in Pakistan and seventeen conventional banks are either offering Islamic banking through dedicated branches (SBP, IBB, 2018d) or through fully owned subsidiary e.g. MCB Islamic Bank. The main objective of inaugurating Islamic banking system

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in the world was to encourage, nurture and cultivate the application of Shariah principles and rituals in transactions of money, banking and business related matters (Erol et al., 1989).

It was anticipated that a vast majority of Muslim countries customers would adopt Islamic banking services as it facilitates them to comply with their religious obligations while fulfilling their banking needs. Surprisingly, adoption of Islamic banking services in various Muslim countries remains low even after 40 years operations globally and 16 years in Pakistan since the relaunch of Islamic banking in 2002. It seems that Muslim customers are either indifferent or prefer conventional banking services over Islamic banking. The banking industry in Muslim countries is dominated by conventional commercial banks and Islamic banks account for a small share in the banking Industry. For instance, Islamic banks hold almost one fifth of the total market share in Malaysia (Abdelrahman, 2016). Islamic banks' assets and deposits amounted to Rs. 2,658 billion and 2,203 billion, covering 13.5 % and 15.5 % respectively of the banking industry in Pakistan (SBP, IBB, 2018d).

Many conventional banking customers might not adopt Islamic banking services in Pakistan and elsewhere owing to certain doubts and barriers. Therefore, reasons of conventional banking customers' non-adoption of Islamic banking services must be investigated in the Pakistani context, which could produce managerially viable results for Islamic banks for enhancing their services and customers base (Kamran et al., 2018). Opening a bank account facilitates consumers in creating financial identities and relations with banks (Garman & Forgue, 2000). Subsequently, it is easier for banks to sell various financial products to their existing customers. Therefore, this study aims to explore why conventional banking customers don't open a bank account in Islamic banks in Pakistan. In so doing, we draw from the accounts of conventional banking customers to ascertain various barriers that they encounter in opening an Islamic bank account. It would facilitate us to suggest viable routes to the Islamic banks management for capturing the more affluent and already financially included customers in Pakistan.

The rest of the paper is organized in the following manner. Subsequent section explains possible impediments that customers encounter in adoption of conventional banking and Islamic banking services. This section is followed by methodology and findings section. Lastly, discussion and conclusions section is discussed, which also encompasses managerial implications and future study guidelines.

Theoretical Background

Impediments to Access Banking Services

Islamic banking emerged as a parallel financial system to conventional banking system in 1970's with an aim to serve the Muslim customers' banking needs across the world (Alharbi, 2015; Khattak & Rehman, 2010). Islamic banking is the system that offers an interest free banking to customers, thus facilitating Muslims to comply with their religious obligations while fulfilling their banking needs (Khattak & Rehman, 2010). Muslim customers usually dislike Riba and shun to use conventional banking services, at least in some cases (e.g. Kempson & Whyley, 1998) but, the adoption of Islamic banking in Muslim countries remains low compared to the conventional commercial banking services (Abdelrahman, 2016; Kamran et al., 2018). It is apparent that vulnerable customers of financial services (e.g. poor) face numerous obstacles to utilize basic

banking services (e.g. Kempson, 2006; Kempson & Whyley, 1999). However, the reasons of financially included and affluent Muslim consumers' exclusion from Islamic banking services in various Muslim countries are unclear. It can be assumed that Muslims might encounter various forms of impediments to adopt or convert to Islamic banking owing to various reasons, which encourage them to avoid Islamic banking services (Kamran et al., 2018).

Previously, various impediments preventing banking customers to adopt banking services have been explored by researchers in different parts of the world (e.g. Kempson, 2006; Kempson & Whyley, 1999; Solo, 2008; Koku, 2009). Surprisingly, there are somewhat similarities in the impediments faced by banking customers in the conventional (Kempson, 2006; Kempson and Whyley, 1999; Hogarth & O'Donnell, 1997; Solo, 2008; Koku, 2009) as well as Islamic banking systems (Butt et al., 2011; Karim & Affifi, 2005; Zaman et al., 2017).

The literature suggests that customers commonly encounter impediments to access basic banking services. The banking customers' own circumstance, geographical barriers to banking, customers' lack of information regarding banking services, customers' services issues and socio-cultural factors could impede customers' access and adoption to banking services (Kempson, 2006; Kempson & Whyley, 1999; Butt et al. 2011; Karim & Affifi, 2005; Zaman et al., 2017).

First, some customer groups who are classified as vulnerable might encounter severe impediments in the adoption or in accessing banking services (i.e. Islamic or conventional) due to their own circumstances. These groups include economically disadvantaged individuals, jobless and illiterate individuals among others (Kempson & Whyley, 1999; Hogarth & O'Donnell, 1997).

Second, extant literature suggests that supply side issues (e.g. geographical barriers) could create impediments in adoption of both Islamic (e.g. Butt et al. 2011) as well as conventional banking services (e.g. Kempson, 2006; Kempson & Whyley, 1999; Chéron et al., 1999). It was found by Kempson (2006) that factors such as distant bank branches for customers impede their ability to acquire basic banking services. Islamic banking customers could also encounter such barriers as physical access is one of the major issues in the adoption of Islamic banking services. A study by Butt et al. (2011) found that a limited number of branches of Islamic banks and difficult location of banks branches impede prospective customers to access Islamic banking.

Third, customers' lack of information about banking services impede them to adopt Islamic as well as conventional banking services. Consumers may lack basic financial literacy owing to a lesser marketing activities of banks, which preclude customers to obtain financial services (e.g. Kempson & Whyley, 1999). It has been shown by various researches that customers' awareness has a significant impact on their intention and attitude to use Islamic banking services (Thambiah et al. 2011; Bodibe, Chilya & Chikandiwa, 2016; Islam & Rahman, 2017). But Islamic banking customers commonly lack information regarding Islamic banking system (Islam & Rahman, 2017). Karim and Affifi in their study regarding Indonesia (2005) found that prospective customers lack information regarding Islamic banks products and services due to they view it non-beneficial to adopt Islamic banking services.

Fourth, substandard and discriminatory services provided by banks also serve as barrier to access banking services because those have a potential to annoy the customers who might avoid service acquisition (Kempson & Whyley, 1999; Kempson, 2006; Chéron et al., 1999). The better quality of service offered at Islamic banks could enhance their customer base (Kamran et al., 2018). However, Islamic banks prospective and existing customers are believed to encounter

substandard services at banks, which can be considered a main impediment towards adoption of Islamic banking services (Zamanet al., 2017). Some researchers suggest that Islamic banks ought to train their frontline employees to treat their customers in a respectful and polite way and for that Islamic banking staff should be provided with ample training (Kamran et al., 2018; Zamanet al., 2017). The poor service quality at Islamic banks do not facilitate them to obtain more customer base, instead existing customers of Islamic banks might switch to other banks (Suryani & Chaniago, 2011; Abduh, Kassim, & Dahari, 2012). A study by Chaker & Jabnoun (2010) about Qatar found that little empowerment given to the bank staff, banks leadership avoiding positive changes, and centralized management systems were the main causes of poor service quality in Islamic banks.

Finally, socio-cultural circumstances in various countries can facilitate or impede adoption of both conventional and Islamic banking services. Different studies have discovered that individuals' choice to obtain Islamic banking services was effected by their primary reference group members e.g. friends and family (e.g. Zainuddin et al., 2004; Echchabi & Abd.Aziz, 2012). It implies that social influence has potential to enhance customers intention to utilize Islamic banking services (Amin, 2013; Alam et al., 2012; Abd.Aziz et al. 2015). Some individuals may shun having a basic bank account because it is disapproved by their family members, such as parents (Kempson & Whyley, 1999). Likewise, some Muslim customers might oppose using financial services from conventional banks due to their religious teachings as mainstream commercial banks involve interest which is forbidden in Sharia (Kempson & Whyley, 1998). However, a vast majority of banking customers in various Muslim countries opt for conventional banking. Therefore, understanding customers' stance to non-adoption of Islamic banking services in the Muslim countries can provide managerially useful results (Kamran et al., 2018).

The literature regarding the impediments encountered by banks' customers to access Islamic and / or conventional banking services is rather scattered. It highlights the difficulties faced by various customer groups in accessing both Islamic and conventional financial services in different parts of the world. Previous researchers ignored to address why financially included Muslim customers shun adopting Islamic banking services in various Muslim countries (Kamran et al., 2018). Therefore, this research attempts to explore why financial included conventional banking Muslim customers don't open a bank account in an Islamic bank in Pakistan.

Methodology

The qualitative research method has been used in the study to understand the reasons of conventional banking customers' avoidance of Islamic banking services in Pakistan. The data were collected through semi-structured in-depth interviews owing to the reason that the phenomenon under study has not been explored previously, which makes the aforesaid data collection technique justifiable (Belk, Fischer & Kozinets, 2012). The Muslim customers may disapprove interest based banking transactions due to their Islamic teachings, but figures suggest that majority of Muslims prefer to open a bank account in mainstream commercial banks in Pakistan. It is worth investigating why Muslim customers opt for conventional banks and avoid Islamic banking services. They might encounter barriers in adoption of Islamic banking (Kamran et al., 2018) but those could only be discovered by talking to the conventional banking customers as to why they are not converting to Islamic banking. Through purposeful sampling technique, we selected 50 interviewees from Rawalpindi and Islamabad, Pakistan, who had bank accounts in various conventional banks branches in Pakistan. Hence, the study covers the banks customers

on the liability / deposits side only. We did not choose customers from assets/ financing side owing to difficulties in finding individuals who borrowed money from banks. The study participants included twenty five males and twenty five females, who were involved in different professions. Their ages ranged from 18 to 45 years while their education ranged from intermediate to masters level. Thirteen participants had a saving account, while 37 had a current account in various conventional banks of Rawalpindi and Islamabad.

We supplied an information sheet and a consent form to the study participants well before the interviews. These documents explained the study objectives, role, duties, responsibilities and rights of both the researcher and research participants. Since all the participants were literate so they easily understood the aforementioned documents, which helped them to participate in the interviews in a better manner. It is appropriate to carry out interviews with participants at their homes because people feel comfortable in their own place (Belk et al. 2012). Majority of the interviews were conducted in participants homes, but some of the interviews were organized at Offices, university, etc due to the participants' preferences. All the participants provided time for their respective interviews in advance and they also voluntarily took part in this research. All the interviews began by collecting the relevant demographic information that included information about the participants' age, profession, income, education, number of bank accounts and the type of account. We deliberately started interviews with demographical questions in order to create rapport with participants so that they feel comfortable and relaxed, right from the start of interviews.

The researcher talked with the participants regarding the reasons of not having a bank account in an Islamic bank, reasons of their preference of conventional banking over Islamic banking and various other impediments that restrict them to hold an Islamic bank account in Pakistan. The researcher asked questions in an open-ended format so that the informants could offer their detailed views regarding the issue under investigation (Elliott & Jankel-Elliott, 2003). The participants were also informed that their names and any other information identifying them will not be used in any publication that would result from this research. We guaranteed the participants to use alias instead of their original names for maintaining anonymity and confidentiality, which motivated them to talk openly about their views and opinions regarding the study topic. It took over two months to complete fifty interviews. We stopped conducting interviews when we felt that participants are not revealing any new details (i.e. saturation point) regarding the topic of investigation (Flick, 1998). The length of interviews varied slightly contingent to the participant, but the length of a normal interview was around 30 minutes. The interviews were conducted and recorded in their completeness by the first author with a prior permission of participants. Subsequently, each interview was transcribed on papers, which facilitated data analysis for answering the research question.

We applied thematic analysis method for analyzing the data. This technique helped us to identify, analyze and report key patterns within the dataset (Braun and Clarke, 2006). Each interview audio was listened again and again, which helped the researcher to increase the precision of transcribed dataset. It is the most vital step in qualitative data analysis (Bird, 2005). The researcher then proceeded to code the transcribed interviews and initial codes in entire dataset were found. Subsequently, list of codes were carefully analyzed for combining them to various themes. This effort facilitated researchers to classify key themes which were originally evaluated at coded data excerpt level and then themes were evaluated at complete dataset. We tried to elucidate each theme and recognized which piece of interview data was linked to

individual theme. Researchers attempted to label themes in a way that the same elucidated their linkage to the study questions (Braun and Clarke, 2006).

Findings

The data analysis resulted into various impediments preventing financially included conventional banking customers to adopt Islamic banking services in Pakistan. The data analysis resulted into five main themes, which are labeled as (a) Customers lack of knowledge regarding Islamic banks (b) Loyalty towards conventional banks (c) Poor services provided at Islamic bank branches (d) Geographical barriers (e) Social reasons. Below, we explain these findings in detail:

Customers Lack of Knowledge regarding Islamic Banks

The data indicates that some of the study participants lack knowledge regarding Islamic banks objectives and their basic principles. The lack of knowledge caused various misconception in their minds regarding Islamic banks. Their misconception, which stemmed from a lack of knowledge about Islamic banks motivated them to resist utilizing Islamic banking services as they preferred conventional banks over Islamic banks. The participants' view regarding Islamic banks resulted in lack of trust and confidence on Islamic banks and raised doubts in their minds that Islamic banks are not according to Shariah. Some study informants believe that their lack of understanding about Islamic banks is due to a lack of marketing communications and incomplete written information regarding Islamic banks products.

A number of participants were unaware about Islamic banking services or had a little knowledge about those. They were of the view that all banks are the same, no bank could be based on a set up that would be interest free, it's just for fooling people by changing the name, otherwise the procedures and system is same. Thus, the participants' lack of trust on Islamic banks impeded Islamic banking service adoption by them. The participants' stories reveal that their lack of knowledge and misconception about Islamic banks made them perceive that that Islamic banking is just another name of the conventional banking. The participants' lack of trust on Islamic banking services encouraged them to utilize conventional banking services and to resist Islamic banking services. The following interview passage explains this issue.

"I do not trust Islamic banking, as it is totally same as conventional bank, they are only fooling people and saying we are based on Islamic laws however they are not as they charge interest but with the sweet name of Riba (participant# 40)

The participants were of the view that the Islamic banks must meet Shariah requirements in order to win their confidence. They expressed doubts that Islamic banks were not working according to the Shariah law. So it confused them to adopt Islamic banking services. The following interview quote explains this.

"They are only playing new marketing game by changing the name of conventional banking to Islamic; however the mechanism is totally same (participant# 19)"

The participants believe that Islamic banks lack of marketing communications is a real cause of their lack of understanding regarding Islamic banking services. Some participants believe that good marketing communications could enhance their knowledge about banks and could help them to remove misconceptions regarding Islamic banking services. The following

interview verbatim explains how Islamic banks' lack of marketing communications potentially impedes their adoption of Islamic banking services.

“They are not giving any advertisements but I think all the way they are using to promote is only by those small pamphlets placed on the extreme corners of the banks that I think hardly anyone takes interests in reading (participant# 23)”

“I think Islamic banks are not active in educating about their products and services as I have never come across any advertisement yet (participant# 15)”

The participants also lack understanding about Islamic banks owing to an unavailability of a well written and easily understandable information regarding Islamic banking products at bank branches. Some of the participants attempted to acquire information regarding Islamic banks products, but they believe that Islamic banks product brochures are ambiguous and difficult to understand, which promoted them to resist adoption of Islamic banking services. According to some participants, lack of clarity in the written information of Islamic banking products adversely influenced their decision to adopt Islamic banking services. They perceived that vagueness in Islamic banking services information confused them and discouraged them to trust and avail of the services. The following interview excerpt explains this issue:

“The staff did not provide me complete information firstly, and when I opened the account they started telling me about the charges that I have to pay before opening my account so I refused [to open a bank account] as they were not transparent in revealing their information (participant# 36)”

Loyalty towards Conventional Banks

The study participants were utilizing conventional banking services and some of them expressed their satisfaction and loyalty with their financial services provider. Their loyalty stemmed from: i) a vast range of services offered by conventional banks, ii) a positive positioning of conventional banks in the study participants mind, iii) an extensive network of conventional banks in the cities, and iv) efficient service system of conventional banks. The participants' loyalty to conventional banks also served as an impediment to their Islamic banking adoption. The following interview excerpt narrates banking customers' preference of conventional banking over Islamic banking services.

“Islamic banks are not providing variety of services, they lack major services so for my ease I opted conventional banking (participant# 46)”

Some participants also showed their commitment and loyalty to conventional banks owing to a gloomy positioning of Islamic banks in their minds. They perceived that Islamic banks do not offer real schemes, charge greater fees than conventional banks and have difficult rules and regulations that are difficult for customers to follow. These reasons also encouraged many customers to remain loyal to their existing financial services provider (i.e. conventional bank), which can also be considered an impediment to adoption of Islamic banking services in Pakistan. One participant expressed his views in the following manner:

“I wanted to go for Islamic bank account, but when heard about different charges I decided to take the step back and remain the customer of conventional bank (participant# 31)”

A few participants decided not to open an Islamic bank account due to their lack of preference for Riba free banking. Their prime objective was to obtain as much profit on their investment in bank without differentiating between Islamic and conventional banking services. They have an opinion that the returns [profits] offered by the Islamic banks are very low compared to conventional banks. They resisted opening an Islamic banking account because they were interested to get more return on their money kept in bank branches. Some of those had an opinion that Islamic banks have high service charges and a little profit on investment. Therefore, they preferred to stay with conventional banks as they had low service charges and offered higher return. This could also be considered an impediment to the adoption of Islamic banking services in Pakistan. The following interview passages explain this reason.

“I want high returns on my savings but they were not offering high returns, saying that high return means interest and we do not give interest as it is Islamic banking (participant# 41)”

“I want high return and low loss, but Islamic banking was totally opposite to this; so I opted for conventional banking (participant# 7)”

Poor Services Provided at Islamic Bank Branches

Some study participants considered poor service delivery as an important factors which discourage them to utilize Islamic banking services. A number of study participants explained that their service encounters at Islamic bank branch were unsatisfactory, which motivated them to keep utilizing conventional banking services. The participants encountered poor customers' services while their visit to an Islamic bank branch, which was manifested in shape of rude behavior of frontline service employees, their low quality of service provision, small branches, improper or inadequate sitting arrangements, and insufficient availability of frontline staff at Islamic bank branches. The study participants commonly expressed that a good response from a bank staff is very vital, which shows that bank staff is responsive and can meet the needs and expectations of customers.

Some participants explained that they faced an unhelpful behaviour from frontline staff members at Islamic bank branches as they were rude, unfriendly and not helping at all. The study participants also commonly expressed that the banking staff at Islamic banks generally avoided providing sufficient / complete information to them which discouraged them to utilize Islamic banking services. Those participants who visited Islamic bank branches commonly reported that staff was not qualified and knowledgeable about their own products. The following interview passage explains how a bank staff attempted to avoid one of their prospective customers:

“The staff was not qualified and had no knowledge about the banking system, he handed over to me the pamphlet and said the details are there, you can check them (participant# 18)”

A number of study participants attempted to obtain Islamic banking services (e.g. bank account). Although, some of them expressed their dissatisfaction with Islamic bank services, but some participants developed this negative opinion about Islamic banks services after hearing a negative word of mouth from those who visited Islamic banks or who were the customers of Islamic banks. One of our study participants explains his perceptions regarding Islamic banks services in the following way, which certainly prevented him to open a bank account in Islamic bank.

“The transactions of the Islamic banks are not efficient and fast, they take too much time, and also the lack diversity in their products and service range (participant# 29)”

A few participants who visited Islamic bank branches for opening a bank account etc., expressed that customer facilities were either absent or insufficient. The participants commonly reported that drinking water was unavailable for customers and also there was no proper sitting arrangement which caused them tiredness. They reported that branch offices of Islamic banks are too small and that is why they are unable to offer proper services (e.g. sitting arrangements) to their customers. Based on the aforementioned issues, some of the participants perceived that Islamic banks deliver poor services, which discouraged them to utilize Islamic banking services. One of our study participants explains it in the following manner:

“The office was small and I stayed there for half an hour but didn’t find the seat as there was not proper sitting system separate for male and females (participant# 37)”

Geographical Barriers

A few participants revealed that the distance of Islamic bank branches from their respective neighborhoods or homes were also an impediment in their adoption of Islamic banking services. They avoided opening a bank account in Islamic banks owing to their fewer number of accessible branches. The participants commonly expressed a need of convenience while accessing banking services, as they wanted to travel less for accessing the banks services. The Participants expressed that they wanted easily accessible bank branches, which can only be possible if the number of branches are more in that particular vicinity or city. But a fewer number of Islamic bank branches was a major hurdle for them in the adoption of Islamic banking. An interviewee explains this issue in the following manner:

“There is no branch near to my home, if there would be any then I could think of opening my account there, but right now I don’t even want to as I do not like to travel so far (participant# 38)”

Some participants perceived that distant Islamic bank branches could cause travelling costs, tiredness due to travelling to distant bank branches, and time wastage. So, faraway bank branches caused many difficulties for the participants to access Islamic banking services and this served as an impediment to adoption of Islamic banking services. The following interview excerpts explain this issue in the following manner

“I don’t like to travel long as I have travelling sickness so I prefer the nearest branch of conventional bank instead of going far for Islamic bank (participant# 44)”

“Travelling far away for visiting the branch would be wastage of time and also cost me money on travelling, as I had to hire Careem or Uber or Taxi (participant# 5)”

So, as Islamic banks do not have extensive branches network, due to which the study participants decided to avoid the service acquisition. They wanted to mitigate the service cost (i.e. time, travelling and transportation etc) while accessing banking services, but a fewer number of Islamic bank branches discouraged a few participants adoption of Islamic banking services.

Social Reasons

Some participants' stories reveal that various social factors prevent them to utilize an Islamic bank account. The social influences preventing adoption of Islamic banking services included friends and family influence to open a conventional bank account, unacceptability of Islamic bank account in one's social circle, and employers transferring salaries in conventional banks.

Some participants were of the view that family and friends are the most influential group influencing their decision to maintain a bank account in conventional bank. They didn't adopt Islamic banking because of their friends and family members' suggestion or due to the fact that they have a bank account in conventional banks. So, some participants only selected Islamic banking to fit in to their social network group (i.e. friend and family) and to maintain a strong bond with them. The following interviewee explains how his friends and family influenced him to maintain a bank account in a conventional bank. Nevertheless, it impeded customers' adoption of Islamic banking services.

"I didn't opt for Islamic bank as my all friends and family had their accounts in conventional banks (participant# 49)"

Although, all the study participants were Muslims, but they might be practicing Islam at a varying degree. Some participants who were not greatly following the Islamic teachings thought that opening a bank account in Islamic bank might make them unacceptable in their respective social circles. They were afraid that their friends might make fun of their affiliation with an Islamic bank. So these social influences also discouraged a few participants to avoid opening an Islamic bank account which can be considered an impediment to Islamic banking adoption in Pakistan. The following verbatim explains how a desire for social acceptability encouraged one of our study participants to shun Islamic banking services.

"Actually I am not that much Islamic but still thought to have an account there but then my friends started making fun of me by saying he is a Molvi now (participant# 40)"

The participants were also compelled by their respective employers to open a conventional bank account as they were maintaining their company account in conventional banks. So, they opted for conventional banks because those banks were suggested by their respective employers for salary transfer. So they preferred conventional banks over Islamic banks owing to employer preference for salary transfer. An interviewee explains his situation in the following manner:

"I am customer of conventional bank because my organization suggested this bank to me (participant# 34)"

To conclude, conventional banking customers in Pakistan are hesitant to adopt Islamic banking services owing to their lack of knowledge about Islamic banks, their personal loyalty towards conventional banks, poor service delivery at Islamic bank branches, geographical barriers and social reasons. Table 2 summarizes the research findings.

Table 2: Summary of Research Findings

Main Theme	Brief Explanation
Customers Lack of Knowledge about Islamic banks	a. Lack of trust on Islamic banks b. Customers misconceptions about Islamic banks due to a lack of marketing communications of Islamic

	<p>banks</p> <p>c. Various doubts in customers minds regarding Islamic banks</p>
Liking conventional banking	<p>a. Positive positioning of conventional banks</p> <p>b. An extensive branch network of conventional banks</p> <p>c. Efficient service system of conventional banks</p> <p>d. Perception that conventional and Islamic banking are the same; hence</p> <p>e. Some customers' lack of preference of Riba free banking</p>
Poor service provided at Islamic bank branches	<p>a. Unsatisfactory service encounters of customers at Islamic bank branches</p> <p>b. Impolite or cold behavior of frontline service employees</p> <p>c. Small size of Islamic bank branches – lack of proper waiting area, and shortage of staff</p> <p>d. Improper or inadequate sitting arrangements</p> <p>e. Insufficient availability of frontline staff at Islamic bank branches.</p>
Geographical barriers	<p>a. Fewer number of accessible branches</p> <p>b. Customers desire easily accessible bank branches</p> <p>c. Distant bank branches cause high travelling cost, tiredness and time wastage</p>
Social Reasons	<p>a. Fear that friends and family members may disapprove an Islamic bank account that is not really Islamic according to them</p> <p>b. Conventional banks were suggested by employers for salary transfer</p>

Discussion and Conclusions

This research explored the factors impeding financially included consumers to adopt Islamic banking services in Pakistan. Researchers have so far generally ignored the factors impeding affluent and financially included individuals' access to Islamic banking services (Kamran et al., 2018). This research contributes to the extant literature by illustrating various kinds of barriers that prevent conventional banks customers to adopt Islamic banking services in Pakistan. This research highlights the impediments encountered by conventional banking customers to adopt Islamic banking services in Pakistan and elucidates various manifestations of those impediments. The research findings could facilitate Islamic banks to make proactive strategies to capture financially included customers in Pakistan and elsewhere.

First, conventional banking customers lack of knowledge and perception regarding Islamic banks operating in the country raised a variety of doubts in their minds regarding the authenticity and credibility of Islamic banks operations. They commonly lack confidence and trust on Islamic banks. The conventional banking customers held various perceptions or misconceptions owing to

a number of reasons including similarity of Islamic and conventional banking, lack of marketing communications and promotional activities of Islamic banks. Second, major reason of conventional banking customers' avoidance to Islamic banking services was their liking the conventional banks vis-à-vis Islamic banks. Their loyalty stemmed from a broad product range of conventional banks, their positive positioning, an extensive branch network in cities, better services provision and customers perception that the two systems operating in the country are the same. Third, poor service provided at Islamic bank branches negatively influenced conventional banking customers to adopt Islamic banking services. They reported to have unsatisfactory service encounters, cold behavior from frontline staff of banks, small size bank branches, inadequate seating arrangements and lack of basic facilities like unavailability of drinking water for customers. These negative experiences motivated conventional banks customers to shun adopting Islamic banking services. Fourth, customers also encountered geographical barriers to access Islamic bank branches. The conventional banks customers seeking to convert to Islamic banking services desired to have accessible bank branches because distant bank branches cause high travelling cost, tiredness and time wastage. Lastly, social reasons also impede conventional banking customers to adopt Islamic banking services in Pakistan. Friends and family influence also impeded adoption of Islamic banking services. The customers could have a fear that their friend and family members would not like opening an Islamic bank account, might be on account of their own perception about Islamic practices. Therefore, they shun opening a bank account in an Islamic bank. Social influences were also manifested in a way that conventional banks were recommended by employers for salary transfer, which also impeded some customers' choice to adopt Islamic banking services.

Despite the fact that some Muslim customers avoid conventional banking services owing to their Islamic teachings (Kempson & Whyley, 1999), the adoption of Islamic banking in Muslim countries remains low compared to the conventional banking services (Abdelrahman, 2016; Islamic Banking Bulletin, March, 2018a). This study highlighted various impediments faced by conventional banking customers to adopt Islamic banking services in Pakistan. Those impediments could be grouped into two main categories. There are both institutional and personal aspects attached to impediments in adoption of Islamic banking services in the country. The institutional aspects related to the geographical barriers and lack of information that stemmed from the lack of marketing campaign of Islamic banks. Likewise, the branch facilities and deficient customer services of Islamic banks also served as impediments in the adoption of Islamic banks in Pakistan. Second aspect of conventional banks customers' non-adoption of Islamic banking services is linked to customers' perception or misconception and hence their personal liking the conventional banks due to social reasons.

Managerial Implications

It is vital for the growth and economic success of Islamic banks that they make serious efforts to facilitate customers to adopt Islamic banking services in Pakistan. Islamic banks proactive strategies could facilitate to remove the impediments faced by affluent conventional banks customers, which could certainly help Islamic banks to capture more customers. Based on this research, we propose following policy implications to Islamic banks management in Pakistan.

First, this study results indicate that conventional banking customers have a lack of trust, confidence and, as such, doubts about Islamic banks in Pakistan. Their misperceptions regarding Islamic banks serve as impediments to adopt Islamic banking. Islamic banks should explore the reasons for the wrong perceptions about their services, enhance their promotional campaigns

regarding their various products, and launch customers' education programs. Apart from other strategies to educate customers, Islamic banks can run awareness sessions in various universities and in big organizations and try to correct the public perception.

Second, the poor services offered at Islamic banks is a big reason of conventional banking customers' avoidance of Islamic banks. Some conventional banks customers perceive that their existing financial service provider offers better customers' service processes than Islamic banks. Such impediments could be resolved by enhancing the level of customers' services. For example, Islamic banks can provide good seating arrangement to their customers and could train and educate their frontline service staff members for enhancing service delivery processes and quality at their respective branches. Similarly, Islamic banks should try to occupy a clear positioning in customers mind and for that they need to reconsider the nature of their systems from Shariah perspective, and have attractive TV commercials. Third, Islamic banks should endeavor to enhance their branch network so that affluent customers of conventional banks could easily approach those branches. Lastly, social reasons also impede some customers to adopt Islamic banking in Pakistan. This impediment can be tackled by Islamic banks by creating a good image in public. Islamic banks could arrange different public relation and other promotional activities to enhance their public image and positioning. Moreover, Islamic banks should target large size organizations for maintaining their salary accounts at Islamic bank branches which could help to enhance customer base to Islamic banks.

Limitations and Future Research Guidelines

This research utilized a small sample from deposits side customers to qualitatively investigate the factors impeding conventional banks customers' adoption of Islamic banks in Pakistan. The study results might not be generalizable, but its findings offer an opportunity to Islamic banks to re-align their services structure and to the researchers to develop a scale for a survey research. This research investigated the barriers preventing conventional banks Muslim customers to access Islamic banking services in Pakistan. The results might not be applicable to conventional banking customers in other Muslim countries. Therefore, similar kind of studies could be conducted in other jurisdictions, which might be getting different results due to socio-cultural differences among various countries. Researchers may also include the financing or assets side customers for the study. A future study could also explore how Islamic banks top managements perceive their banking services and what constraints they encounter to expand and better serve their prospective customers. Likewise, some conventional banking customers visiting Islamic banks encountered service failure (e.g. poor service delivery) in various forms. Future study could investigate strategies of Islamic banks for customers value recovery followed by a service failure. Finally, banks frontline staff members' rude behavior with their customers has been highlighted as an impediment to adopt conventional as well as Islamic banking services. Future research could examine causes of banks frontline staff members' rude behavior with their customers.

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