

# Perception of Non-Muslim Customers towards Islamic Banking: A Study in Northern Part of Bangladesh

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## Abstract

Product and services provided by Islamic banking are gaining popularity among not only among Muslim customers but also among non-Muslims across the world due to its wider products coverage and ability to pass through the global economic melt- down. However, to what extent this statement is true in the context of Bangladesh needs focus and hence this research aims to investigate the perception of non-Muslim customers about the products and services provided by Islamic banking in Bangladesh. A total of 12 actual respondents participated in the survey at selected areas in the northern part of Bangladesh. The result of the study showed that the perception of non-Muslims regarding Islamic banking is positive and it's gaining popularity day by day. Non-Muslims, in some cases have knowledge of Islamic banking products and services. Taking these mixed responses i,e little awareness but positive perceptions, further efforts need to be taken to promote the level of consciousness about Islamic banking among non-Muslims in northern part of Bangladesh and throughout the country.

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*Index terms*— perception, non-muslim, islamic banking, , bangladesh.

## 1 Introduction

istory of conventional baking is a long back while the concept of Islamic banking is a newer one. One distinguishing factors that made it separate is interest; which is prohibited in Islam forcing Muslims to interest free banking system-Islamic bank. As interest is not allowed in Islam so Islamic financial system cannot operate based on interest (Rahman, 2007) [1] . As a result of this differing nature Islamic Bank emerged as Islamic scholar thought it as necessary. Following that many Islamic banks started to be established in the earliest of 1970. That made a scratch in Bangladesh too; Islamic Bank Bangladesh Limited has started its operation in Bangladesh as Islamic bank in 1983 with facilitation of Dubai Islamic bank. Beginning of Islamic banking operation was limited to Muslims customers preferring interest free banking (Kuran & Timur 2004) as Islamic banking is based on profit and loss sharing mechanism [2] . Comparing with conventional banking one could easily find that the approach applied to Islamic banking is different (Khan, Hassan & Shahid, 2008) [3] . Since its inception it has been growing in operation and getting preference among various classes of clients not excluding non Muslims also (Abdullah, Sidek & Adnan 2012) [4] . Various studies have already been conducted in various countries and found mostly similar findings about the likeliness of Islamic banking. Especially one of the mentionable points is not interest freeness rather Islamic banking is on their mark of fulfilling necessity easily (Hedayet & Al-Bawardi 2012) [5] . A study conducted in Sylhet Bangladesh by Uddin et al (2016) finds that non Muslims customers also like Islamic banking products and services [6] . The attitude and perception of non Muslims regarding Islamic bank is has now been drawing the attention of researcher to dig into fact why they are being focused on Islamic banking services. It is found out to be focusing on understanding of needs, employees attitude & behavioral pattern which makes a pavement for Islamic bank (Cohen et al., 2006) [7] . While a number of studies have been so far conducted in Bangladesh have given focus on comparative performances but why the comparative performance

44 of Islamic banking is getting competitive good position is focused in this study which will basically comprised of  
45 perception of non Muslims on Islamic bank.

## 46 2 II.

### 47 3 Literature Review

48 Attitude -perception is related to psychology of human as human psychology shape the nature of perception  
49 which influence how a man will behave in his /her life. How a man thinks, feel and act on something is his/her  
50 attitude (Hawkings' S, Mothers baugh, & Best, 2007) [8] . Customers' knowledge on Islamic banking motivates  
51 for a positive perception about Islamic bank (Kaynak et al., 1992) [9] . Rose & Marquis (2006) felt that the  
52 similarities in banking products and services in conventional and Islamic banking are getting forceful [10] . While  
53 customer like Islamic banks or conventional is an issue of debate. Numbers of studies have been done to find  
54 out the facts and variables. Efficiency in service with speed, banks reputation attracts customers' preference  
55 in making and continuing banking relation (Haron et al. 1994) [11] . Turkish customers give preference to the  
56 religious factors, friendliness of bank personnel and speediness of transaction (Okumus 2005) [12] . Contradictory  
57 result was found in Singapore that there were lack of any point of significant difference in selecting banks between  
58 Muslims and non-Muslims (Gerrard & Cunningham, 1997) [13] . While Ali & Zohu (2013) discovered that service  
59 quality is acting factors for perceiving bank as a choice in Pakistan [14] . In this line Dusuki and Abdullah (2007)  
60 finds staffs friendliness with experienced knowledge with abilities to handle any matter easily and effectively are  
61 some of the most important perceived factors But Sheikh et al., (2010) states that comparatively conventional  
62 banks' customer are satisfied with their banks for better facilities [16] . This may be due to the facts that for  
63 religious causes (Shari-ah principles) Islamic banks can't offer every kind of services, like credit cards. Rezwan,  
64 Shabnaz & Shajahan (2015) states that Islamic bank have played pivotal role since its inception and III.

### 65 4 Islamic Banking

66 Activities of banking in Shariah compliance is Islamic banking. The differentiating point or facts which make  
67 it different from conventional bank is the interest. The main elements in conventional banking is neglected in  
68 Islamic banking and given focus on sharing of profit and loss which is called as profit loss sharing system (PLS)  
69 of banking. While conventional banking are operating with their efficiency own but parallel Islamic banking has  
70 also started to cut their own edge over the conventional bank. As riba is prohibited in Islam so banking with  
71 conventional interest based bank becomes less attractive to Muslims. But due to lack of Islamic bank there lacks  
72 the option. Following the necessity Islamic scholars though to establish a Shariah compliant Islamic bank which  
73 will be based on PLS basis not interest basis and the outcome becomes visible in 1975 with the establishment of  
74 Dubai Islamic Bank (DIB) [26] . Following the establishment of DIB in March 1983 Islamic banking started its  
75 operation in Bangladesh being incorporated as Islami Bank Bangladesh limited (IBBL) [27] . According to the  
76 data of central bank of Bangladesh there are 8 Islamic private commercial banks operating in Bangladesh [28]  
77 . To mention some of them are; Islami Bank Bangladesh Limited, Shahjalal Islami Bank Limited, Al-Arafah  
78 Islamic Bank, First Security Islami Bank, ICB Islamic Bank, EXIM Bank Limited.

79 IV.

### 80 5 Objectives of the Study

81 Basically the research is forwarded with the aim of finding the perception of Non Muslims regarding Islamic  
82 banking in Bogra, Bangladesh. So the primary objective is perception and secondary objective of the research is  
83 finding the factors that are considered or perceived good for choosing Islamic bank or moving to Islamic banks  
84 from conventional banks. Finally suggesting bank to focus on some selected to be perceived good to non Muslims  
85 customers and attract the non Muslim customers towards Islamic banking along with Muslims.

### 86 6 V. Research Design and Methodology

87 Focusing on the aim and practical scenario prevailed in Bangladesh; the district of Bogra is chosen as the sample  
88 of population of Bangladesh. Bogra is chosen on the basis that it is the gateway of whole northern part of country  
89 with a branch of Central bank and almost every commercial bank in operation at Bogra. For ensuring better  
90 serving the purpose a purposive sampling/ convenience sampling technique is used. After preparing a five point  
91 liker scale (1: Strongly Disagree, 2: Disagree, 3: Neutral, 4: Agree, 5: Strongly Agree) structured questionnaire  
92 representative of the researcher has stayed at bank area from from 9 a.m to 5 p.m five days a week from Sunday  
93 to Thursday when the banks customers visit the bank for banking. Before that a pilot survey is conducted to find  
94 the number of non Muslims customer having banking relationship with Islamic banks in Bogra, and factors of  
95 perception regarding Islamic bank in Bogra. Bank officials are used as a main source of information to find non  
96 Muslims customers of Islamic banking institutions. Journal article Global Journal of Human Social Science -Year  
97 2017 [15] playing role in the improvement of the banking sector [17] . Uddn et al., (2016) in their study findings  
98 found that majority of non Muslims customers are satisfied with the services of Islamic banking [18] . Hamid  
99 Nordin (2001) reported that most of the Islamic banks customers are highly aware but poor in knowledge about  
100 Islamic bank [19] . Ahmad and Haron (2002) focused on scale of measurement which can reflect the intention

101 to use Islamic banking conducting a study among only corporate groups of customer and conclude [20] . And  
 102 most of respondents in Malaysia replied of the issue that they have fewer knowledge of Islamic banking but their  
 103 belief was an indication of good future market of Islamic banking in Malaysia [20] . While in Malaysia still the  
 104 focus is given on some selected factors those patronize Islamic bank (Thambiah et al., 2008) [21] . According  
 105 to Bley and Kuehn (2005) Non-Muslim students in United Arab Emirates think Islamic banking is mainly &  
 106 specially alluring to Muslims, and it's not accepted as an unique service provider [22] . Ahasanul, Jamil and  
 107 Ahmad (2007) identified noteworthy relationship between religion and perception towards Islamic banking [23]  
 108 . Amin and Isa (2008) looked into relationship between perception of service quality and customers satisfaction  
 109 and found a significant relationship between the variables [24] . Haque (2010) stated attitudinal difference can  
 110 attract customers and hence Islamic banking service providers can be benefited by making strategies keeping in  
 111 mind the difference of gender as the study concludes with the findings that male customers are more positive  
 112 for Islamic banking services [25] . and other periodicals related to perception and patronage are studied for  
 113 extensive objective. Research period covers January 2017 to April 2017. A total of 12 questionnaires were back  
 114 from respondents with full information out of 20 distributed. Descriptive statistics with tables and graphs are  
 115 used to depict the result and for easier conclusion.

## 116 7 VI.

### 117 8 Findings and Analysis

118 Source: Questionnaire Table shows that most of the respondents are of the class having at least bachelor or  
 119 master degree with age range of 40 and above but below 50. Basically male respondents are found to be included  
 120 in sample as there is only a few numbers of non Muslim women were found to be having banking with bank. Most  
 121 of the respondents uses bank for deposit purpose. One of the major findings from the study reveals that customer  
 122 having banking relation for longer time is interested about Islamic bank as they also have some knowledge on  
 123 Islamic bank. Those having little or no knowledge but interested about Islamic bank are also found in the study  
 124 which is depicted in the table above. 0 1 0 0 1 D 0 0 1 0 1 N 1 0 2 0 3 A 0 1 4 0 5 SA 0 0 1 1 2 Total 1 2 8 112

125 Source: Questionnaire

126 Analysis of the questionnaire finds that there are 34% persons agreed on the issue that though Islamic banks  
 127 have deficiency in marketing but still earns a good return. 8% were found strongly agreed that profit of Islamic  
 128 bank is higher and one says agree. 1 0 0 0 1 D 0 1 0 0 1 N 0 2 0 1 3 A 0 2 0 3 5 SA 0 0 1 1 2 Total 1 5 1 512

129 Source: Questionnaire About 25% of respondents were found to be strongly agreed that there is deficiency  
 130 in marketing by Islamic bank and they can provide lower cost products, 17% of the respondents were found to  
 131 be neutral and another 17% agreed on deficiency but says Islamic bank can provide lower cost products to its  
 132 customers.

133 Volume XVII Issue V Version I 1 0 0 0 1 D 0 0 0 1 1 N 0 1 1 1 3 A 0 3 1 1 5 SA 0 1 0 1 2 Total 1 5 2 4 12

134 Tabular data shows despite deficiency of marketing by Islamic bank it has huge potential in Bangladesh, as  
 135 many of the untouched Muslims and non Muslims customer is yet to know about Islamic banking but still there  
 136 is a wave of either moving from conventional bank to Islamic bank or to be a customer of Islamic bank fresh.  
 137 The mentionable point here is there are 33% of respondents were found having perception that though it lacks  
 138 marketing still has the potential to compete with conventional bank. And other 17% strongly agreed of lacking  
 139 of marketing activities but Islamic bank has high potential to compete with conventional bank. 0 1 0 1 2 D 0 1  
 140 0 2 3 N 0 1 1 1 3 A 0 2 0 0 2 SA 1 0 0 1 2 Total 1 5 1 512

141 Source: Questionnaire

142 Islamic bank has dissimilarities in their product and by using that dissimilarities they can provide products  
 143 at lower cost. But 17% said there is no dissimilarities in products and are able to compete with conventional  
 144 bank. 17% agreed that there is difference in products but they are neutral in answering the ability of Islamic  
 145 bank to compete with conventional bank. Analyzed data above suggest that there are difference in products  
 146 and also huge potential of Islamic banking in Bangladesh. Only 10% respondent is found to be said disagreed  
 147 about potential of Islamic banking while 20% found agreed and 40% found to be strongly agreed remaining 40%  
 148 neutral. So according to the common perception and analyzed data it's an obvious finding that there is potential  
 149 of Islamic banking in Bangladesh.

## 150 9 VII.

### 151 10 Recommendation

152 After scrutiny of the collected data and analyzed findings researcher reach to the point where there are some  
 153 suggestions could be drawn from this study for Islamic bank in Bogra, and overall Bangladesh. Wider marketing  
 154 activities can serve the purpose of perceiving well among non Muslims including Muslim customers also. Specially  
 155 marketing activities about deposit products and loan products with products variation can be useful for Islamic  
 156 bank to be perceived good among non-Muslims including Muslims. Competitive pricing one of most influential  
 157 factors that attract customer towards Islamic bank. So to remain competitive and cutting competitive edge  
 158 over conventional bank, Islamic bank can focus on the pricing of products they offer. Awareness of products of  
 159 Islamic bank can be given focus as the respondents found to be aware of only deposit products of Islamic bank,

## 12 CONCLUSION

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160 so awareness of other Islamic banking products could be suggested for better cultivation of potential of Islamic  
 161 banking in Bangladesh. Breaking religious misconception about Islamic bank can be said one of the suggestion  
 162 to Islamic bank. Most of the non Muslims still think that Islamic banking products are designed for Muslims  
 163 which is not correct. But due to lack of knowledge their perception goes wrong. Availability of Islamic bank to  
 164 non-Muslims should be widened and broadened so that non Muslim customer through away the misconception  
 165 that Islamic bank is only for Muslims.

### 11 VIII.

## 12 Conclusion

168 The principal objectives of this research paper is finding of non Muslims perception about Islamic bank and  
 169 influential factors for forcing or shaping the perception. The most essential primary objective satisfying finding  
 170 is on an average non Muslims perceive Islamic bank as good and in cases better than conventional bank. The  
 171 quality of products provided by Islamic banks is good and available for non Muslims also forces non Muslim's  
 172 perception and cause them move toward Islamic banking products. Competitiveness, revealed but uncultivated  
 173 potentiality, lower costing products with higher return on deposit are some of the important factors for which  
 174 trend of moving to Islamic bank has started. While customer lacks awareness and faithful knowledge on Islamic  
 175 banking products still it is Islamic bankers who can no longer depend on conventionally practiced marketing  
 176 strategy to make it alluring to pious customers who thinks twice or more in selecting banking products and want  
 177 to be sure about the principle of Shari'ah. As Islamic banking are restricted to go for usual marketing strategies  
 178 which are not allowed in Islam so marketing difficulties should be handled with cautions to remain strong in the  
 179 principle Shari-ah. Factor demanding attention can be as mentioned here is the one that necessitate increasing  
 180 public education and awareness towards the distinguishing uniqueness of Islamic banks and how it may profitably  
 181 suit the interest of customers in their financial dealings. Islamic banks have ushered the wider way towards its  
 182 growth through attracting non Muslim along with Muslim customers. Hence it is required to focus on creating  
 public awareness and removing misconception might bring a better position in the banking market. <sup>1 2</sup>

2

Duration of Banking	1-3	4-6	7-9	10-above	Total
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Figure 1: Table 2 :

3

N	Minimum	Maximum	Mean	Std. Deviation
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Figure 2: Table 3 :

1

	N	Mean	Std. Deviation
	Statistic	Statistic	Statistic
Age	12	2.50	.261
Occupation	12	2.75	.329
Education	12	3.50	.314
Gender	12	1.33	.142
Duration of Banking	12	2.42	.336
Type of Services	12	1.50	.289
Valid N (list wise)	12		

Figure 3: Table 1 :

5

Islamic Banks are able to Provide lower cost Products D N A SA Total  
 SD  
 Deficiency of Marketing by Islamic Bank

Figure 4: Table 5 :

46

There Is High Potentiality of Islamic Banking Products in Bangladesh Total  
 Disagree Neutral Agree Strongly Agree  
 SD  
 Deficiency of Marketing by Islamic Bank

Figure 5: Table 4 :Table 6 :

7

		Conventional Bank		
		Islamic Banks are able to Compete with		
		Conventional bank		Total
		A		
	SD	1	0	1
Deficiency of Mar-	D N	1 2 4	0 1 1	1 3 5
keting by Islamic	A			
Bank				
	SA	2	0	2
Total		10	2	12

Source: Questionnaire

Figure 6: Table 7 :

8

Islamic Banks are able to Provide lower cost Products D N A SA Total  
 SD  
 Dissimilarities of Products

Figure 7: Table 8 :

9

		There Is High Potentiality of Islamic Banking Products in Bangladesh				Total
		Disagree	Neutral	Agree	Strongly Agree	
Dissimilarities of Products	SD	0	2	0	0	2
	D	0	2	0	1	3
	N	0	0	1	2	3
	A	0	0	1	1	2
	SA	1	1	0	0	2
Total		1	5	2	4	12

Source: Questionnaire

Figure 8: Table 9 :

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<sup>1</sup>Perception of Non-Muslim Customers towards Islamic Banking: A Study in Northern Part of Bangladesh © 2017 Global Journals Inc. (US)

<sup>2</sup>Year 2017

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