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REASONS FOR LOW PREFERENCES FOR ISLAMIC BANKING AMONG PAKISTANI CONSUMERS

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Abstract

The purpose of this paper is to attempt to investigate the possible determinants of low banking preference in Pakistan towards Islamic Finance. In this paper, the perception of consumers about Islamic banks in terms of their legitimacy and practices, and the attitude of consumers towards Islamic banks will be examined, while at the same time examining the role of religious factors on the banking decisions of consumers. The method used in this paper is qualitative research. In this paper, in-depth interviews and focus groups with Islamic banking consumers and non-consumers, and experts in the field will be conducted. Using this method, a comprehensive understanding of the perceptions, faith, and experiences of consumers about Islamic banking will be obtained. The findings of this study are that Islamic banking is perceived by consumers and non-consumers alike as not entirely interest-free. In addition, Islamic banking is perceived as not entirely based on true Islamic principles; it is perceived as symbolic in nature. Furthermore, the adoption of Islamic banking is not entirely based on religious factors; the adoption of Islamic banking is largely influenced by practical factors. This study adds to the meager literature of qualitative research on the perception of Pakistani consumers towards Islamic banking. This study would provide an in-depth understanding of the problems faced by the Islamic banking sector in the country by using information from consumers, non-consumers, and experts. This study would also provide vital information for the positioning of the Islamic banking sector, which would be highly beneficial for the banks in addressing the concerns of the consumers.

Keywords: Consumer perception, Islamic banks, preference for Islamic banking, Qualitative method.

1. INTRODUCTION

Pakistan is home to about 95% of Muslims, making the country predominantly Muslim. The maintenance and use of the ideology, values, and beliefs of Islam was one of the key objectives of the formation of the country in 1947. (Choudhury, 1956). The country made the necessary amendments in the legal and financial environment of the country to bring it in compliance with the principles of Islam through the Objectives Resolution of 1949, the 1956 constitution, and the Islamization of the country under the regime of General Zia-Ul-Haq in the 1980s. the establishment of Pakistan as an Islamic Republic, the incorporation of the Islamic provisions in the Constitution of 1973, and the Islamization measures initiated from 1979 to 1998. This course was further reinforced by the establishment of the Council of Islamic Ideology and the Federal Shariat Court.

The Federal Shariat Court was of the view in 1991 that "riba" or interest is forbidden in Islam, which must be made un-Islamic through interest-free laws. Although it was reinforced by the Appellate Bench in 1999, some political developments led to a delay in the implementation process, which was followed by "the reintroduction of Islamic banking on a limited scale in the early 2000s" (Dawn, 2022). It is quite evident that Pakistan also has a "dual banking system" with both Islamic and conventional banks operating in the country, despite its efforts through its constitution and laws to make it an interest-free system through Islamic banking only.

The Islamic banking systems are based on the Sharia law principles, as Sharia law does not allow riba (interest rates), gharar (uncertainty beyond a reasonable level), and maysir (gambling) to take place in the banking systems.

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The profit-and-loss sharing contracts, in which the risk of loss is also involved, are replaced with the Islamic banking systems with the help of the use of Murabaha, Ijarah, Musharakah, and Mudarabah finance tools and techniques. Most of the researchers believe that Islamic banking, based on Sharia law principles, is a better banking system compared to the conventional banking system (Dusuki & Bouheraoua, 2011; Iqbal & Molyneux, 2016; Warde, 2000)(Butt et al. 2018). However, the implementation of Islamic banking systems also consists of some difficulties, such as the unskilled human resource base, along with the conventional banking products being marketed under the name of Islamic banking (Khan & Mirakhor, 1990)(Butt et al. 2018)

Globally, the growth of Islamic banking is quite impressive. The assets of Islamic banking crossed the $1 trillion barrier in 2015 and are widespread in Muslim-majority countries such as Malaysia, Saudi Arabia, UAE, Qatar, and Bahrain (Young, 2016)(Butt et al. 2018). Currently, despite having a high Muslim population and being an institutional form for more than two decades, Islamic banking has a low presence in Pakistan. (Islamic-Banking-Bulletin-Jun-2025-Final n.d.)

This paradox gives rise to a significant query: What could be the possible reasons behind the lack of interest shown by Pakistani consumers towards Islamic banking, despite its ideological appeal and efforts at the governmental level to introduce and develop it? As mentioned, perhaps the religion could be an ineffective tool in popularizing the banking system (Sairally, 2002)(Butt et al. 2018) Today, consumers are starting to rate banks, including their Islamic banking branches, on the basis of the quality of services, profitability, convenience, trust, and transparency offered by these banks. Moreover, the criticism leveled against the Islamic banking system is that rather than offering anything new, these banks are simply copying the conventional banks, which calls into question their authenticity (Sairally, 2002; Wahab et al., 2007; Butt et al. 2018).

Perception is an essential factor in consumer behavior. Although it has been conceptualized that Islamic banking is different from conventional banking, it has to be seen whether these differences are perceived by consumers as being plausible or even credible. In various studies, it has been noted that a huge number of consumers are skeptical about the actual authenticity of Islamic banking products, whether they really operate on a zero-interest basis in the real world (Gait & Worthington, 2008; : Islamic Pakistani Banks. This has been evident in the high usage of Murabaha-based products, which are quite similar to conventional products.

To the best of our knowledge, little qualitative research has been carried out to explore the perception of consumers and practitioners to understand the low level of preference for Islamic banking in Pakistan. Most studies are based on surveys, i.e., quantitative research. This has created a research gap regarding the beliefs, attitudes, and behavioral thoughts of consumers. Therefore, this study aims to fill this gap by exploring the perception of consumers who use or do not use Islamic banking services, along with banking professionals.
Therefore, this research aims to answer the following key questions:

RQ_1: Do Islamic banks make a significant difference in their differentiation with conventional banks in the minds of consumers?
RQ_2: Is religion a major driver of consumers' perception of Islamic banking services?
RQ_3: How do consumers perceive the credibility, authenticity, and value of Islamic banking services in Pakistan?

The answers to these research questions will add to the body of literature on Islamic banking services and will also offer useful insights for policymakers and banking practitioners.

2. LITERATURE REVIEW

The theme of Islamic banking services has been dominantly studied and analyzed using quantitative research approaches in the contemporary body of literature. However, an increasing number of literature suggests the importance of exploring and understanding the perceptions, notions, and experiences of consumers, particularly in those settings where religious validity and trust play major roles. Qualitative research approaches emphasize that consumers' perception of Islamic banking services cannot be studied using quantitative variables, rather it is the way consumers perceive and interpret Islamic notions (Patton, 2002; Creswell, 2013; Butt et al. 2018).

2.1. Consumer Perceptions and Bank Selection

Some initial qualitative studies that helped in understanding the selection of banks are those conducted by Erol and El-Bdour (1989) and Erol et al. (1990), which highlighted that "consumers fail to differentiate between Islamic and other banks programmatically." The findings of this study revealed that the perceptions of the customers influence them more through the mechanism of social and experiential learning, as opposed to learning in the religious context. In terms of qualitative research, it suggests that there is a contradiction in the Islamic concept and reality.

Similarly, the role of consumer storying in convenience, efficiency, and safety has been demonstrated by Haron et al. (1994) and Hegazy (1995) to be a significant factor in consumer banking decisions. This indicates that customers make pragmatic, rather than purely religious, decisions when they are carried out at banks. On the other hand, the subjectivist perspective appears to be applicable to customers who consider it important to follow Shariah principles as part of who they are, as suggested by the qualitative study carried out by Metawa and Almossawi (1998).

The research that has been conducted in the Muslim countries of Pakistan and Bangladesh has pointed towards the application of the role of religion as an ideal expectation, but not as the main determining factor. The application of the research conducted by Rashid and Hassan (2009) and Khattak (2010) has helped in understanding the fact that, despite the recognition of the role of religion, the main considerations in the decisions made in the banking sector are based on the subjective considerations of efficiency, confidentiality, and accessibility. The qualitative research conducted by Muhamad et al. (2015) and Zeshan (2016) has pointed towards the role of the application of the choice of Islamic banking based on the institutional considerations.

2.2. Service Quality as Lived Experience

From the qualitative perspective, the concept of service quality is not only a quantitatively defined measure; rather, it is the experience that is shaped through interactions at the human level and at the institutional level. While the foundational research undertaken by Parasuraman et al. (1988) is based on a quantitative research approach, the research is useful from the conceptual perspective to understand the customer narrative of the experience. Further research undertaken by Levesque and McDougall (1996) and Sureshchandar et al. (2003) suggests that feelings of dissatisfaction stem from critical incidents of service failure, which have a greater influence on the customer narrative of the experience for banking institutions.

Qualitative research undertaken in the Islamic banking system suggests that the customer perceives the concept of service quality evaluation through the lens of human interaction, empathy, and response, rather than through any other measure. The results suggest that the customer derives meaning from the experience with respect to the comparison between the performance of Islamic banks and conventional banks, and skepticism is experienced when the customer is dissatisfied with the experience. Further, Ali and Raza (2017) suggest that the sequential experience shapes the perceptions of credibility and satisfaction.

2.3. Customer Satisfaction and Trust Formation

The trust in Islamic banking is closely related to the emotional security provided to the customers. The qualitative study findings in (Metawa and Almossawi, 1998); (Naser et al., 1999) (Butt et al. 2018) revealed that the employees are at the core in building or destroying the customers' trust in Islamic banking practices. The findings also revealed that the satisfaction is not limited to the efficiency of the transactional processes but also relates to the perceived honesty, transparency, and ethical behavior of the employees.

The study findings in Okumus (2005) Khattak (2010) (Butt et al. 2018) revealed the ambivalence in the customers' experiences in that the customers are satisfied with the services provided in one aspect but are dissatisfied with the limited number of branches or the inefficiency of the services in other aspects. This ambivalence is closely related to the qualitative study findings in terms of conditional trust in that the customers support the Islamic banking concept in general but are not entirely satisfied with the services in particular.

2.4. Bank Image and Perceived Legitimacy

From a qualitative perspective, the image of the bank is socially constructed through discourse, reputation, and experience. Al-Tamimi and Al-Amiri (2003) (Butt et al., 2018) observe that Islamic banks have a positive image at the symbolic level; however, at the substantive level, consumers experience difficulty in distinguishing between Islamic and conventional banks, leading to a lack of institutional legitimacy.

The results of Tara et al. (2014) (Butt et al., 2018) from Pakistan suggest that the acceptance of Islamic banking is based on the narrative of education, reputation, and social network, rather than the knowledge of the product itself. Lateh et al. (2009) also emphasize the significance of the social image of Islamic banking, especially in the case of minority Muslims.

2.5. Knowledge, Awareness, and Meaning-Making

Islamic banking knowledge is not merely based on facts; rather, it is based on interpretation. Gerrard and Barton Cunningham (1997), Rammal and Zurbruegg (2007) and Butt et al., (2018) show that, although Islamic banking is well-known to consumers, their knowledge about the principles is limited to the surface level. Qualitative findings show that the consumers make sense of the issue and question whether Islamic banking is really any different from conventional banking or merely conventional banking in Islamic terminology.

In the Pakistani context, the studies conducted by Zeshan (2016) and Tara et al. (2014)(Butt et al., 2018) show that the level of education plays an important role in the perceptions of Islamic banking legitimacy among consumers. Institutional research conducted by Harun et al. (2015)(Butt et al., 2018) also shows that internal employees need to have more Islamic finance knowledge to reduce the level of doubt among consumers. A study conducted among British Muslims by Yusoff and Shamsuddin (2017) also shows that the adoption of Islamic banking is highly dependent upon the level of authenticity and Shariah compliance.

2.6. Industry Perspective: Evidence from SBP Bulletin June 2025

The context in which the preference of the consumers towards Islamic banking in Pakistan is to be understood is reflected in the institutional/industry level context, which is highlighted in the SBP Bulletin of June 2025. According to the Bulletin, the Islamic banking sector has been progressing steadily in terms of the growth in its assets, deposits, and branch expansions. However, the sector holds a small percentage in the overall banking sector, which highlights the fact that the institutional level does not directly affect the preference of the consumers.

Moreover, the Bulletin highlights the fact that the number of Islamic banking financing methods is limited to a few, and the methods are in line with the Islamic practice. However, the consumers may view these methods as the same methods used in the conventional system, and the outcome is the same if the consumers view the Islamic banking system as nothing but the conventional system rebirth.

The efforts put in by the State Bank of Pakistan in the training programs, awareness, and Shariah governance reforms in the sector also suggest that the sector is aware of the knowledge gap that is present in the system. The improvement in customer knowledge and trust is an important aspect to increase the preference for Islamic banks. (Islamic-Banking-Bulletin-Jun-2025-Final n.d.)

2.7. Overview of the Literature Review

Literature under review has identified that the low preference for Islamic banking in Pakistani consumers cannot be attributed to one event or even two events, but rather to many events that are interrelated in one way or another.

Firstly, although religion is one of the events that shapes the attitudes of consumers towards Islamic banking, religion in itself is not the event that ultimately determines the preference of consumers towards Islamic banking.

Secondly, the experience of consumers with regard to Islamic banks is one of the important events that shapes the satisfaction levels of consumers towards Islamic banking.

Thirdly, the image of the Islamic banks is one of the events that plays an important role in the overall adoption of Islamic banking. If the Islamic banks are considered to have strong Islamic images and perform the same functions as conventional banks, the issue of loss of confidence arises. Fourthly, the lack of knowledge and awareness of the consumers with regard to the Islamic banking products and tools would contribute towards the issue of hesitation and skepticism.

Finally, with reference to the evidence presented in the SBP Bulletin June 2025, it may be argued that the gap between institutional growth and consumer preference has been sustained over time. In nature, Islamic banking services still enjoy structural growth, whereas preference is still limited, as the issues of trust, transparency, service experience, and authenticity remain unresolved.

Overall, the literature review has provided a solid basis for the current qualitative study, with the intention of examining consumer perception and experience more closely in an attempt to understand the basis for low preference for Islamic banking services in Pakistan.

Therefore, the literature review suggests as a whole that the reasons for low preference of Islamic banking services by Pakistani consumers include the absence of differentiation, low competence of staff, low awareness of consumers, low clarity of product offerings, issues of service quality, and the influence of non-religious factors such as convenience, returns, and network size, among others. Thus, as may be deduced from the above literature review, a research gap exists in the sense that, despite good structural growth and government backing, the weakest link in Islamic banking is consumer trust and authenticity.

3. RESEARCH METHODOLOGY

In the pursuit of the reasons for the low preference and penetration of Islamic banking in Pakistan, this research will adopt a completely independent qualitative methodology. This is because qualitative methodology will work perfectly for this research, as it will help the researcher conduct an in-depth study of the way people perceive, believe, interpret, and experience a situation or phenomenon, in this case, something that relates to something sensitive such as Islamic banking, which will have to consider the interpretation based on religions (Creswell, 2013; Patton, 2002; Butt et al. 2018).

3.1. Research Design

The research design adopted in this study is qualitative research, which is an interpretive research design that uses single or one-to-one in-depth interviews as the primary method of data collection. This research design is adopted for this study because it allows the free expression of the participant's views in the absence of a group setting, which is quite significant when considering the discussion of their religious views as well as their critical views regarding the practices of Islamic banking (Kvale & Brinkmann, 2009; Butt et al. 2018).

3.2. Data Collection

The method that the researcher used for the collection of information was based on the use of semi-structured individual interviews for the collection of information from users as well as non-users of Islamic banking, along with experts. Due to the semi-structured nature of the research, the researcher was able to explore the various areas, which helped the research delve deeper into the areas that were explored while keeping the research systematic (Creswell, 2013).

The researcher conducted the sampling of the participants for the study based on the purposive method, which helped the participants have the right experience and knowledge regarding the banking practices in the Pakistani environment. Similar to the previous studies, the researcher selected the participants who belonged to the 30-40 years of age group, who had better knowledge due to their education level, along with the members of the middle class, who had the better ability to express their views regarding the Islamic as well as Conventional Banking systems (Khattak, 2010; Butt et al. 2018).

3.3. Data Recording and Ethical Considerations

All the interviews were conducted with prior consent and were recorded to ensure the accuracy of the information provided during the interview. Field notes were also taken during the interview and after the interview to record information relevant to the context. The principles of conducting qualitative research work were fully followed.

3.4. Data Analysis

The transcripts of the interviews were coded using the thematic approach of coding. The methodology adopted was inductive, which helped the results to emerge from the data collected. There were no existing a priori themes to inform the research; hence, the results were authentic and accurately reflected the thoughts, feelings, and experiences of the research participants (Braun & Clarke, 2006).

The results were analyzed to establish the themes associated with religious motivations, trust, the authenticity of Islamic banking practices, and other experiences. This provided valuable insights into the reasons behind the endorsement and non-endorsement of Islamic banking practices.

4. RESULTS

The qualitative part of the research aims at acquiring insights into the views of Pakistani consumers and bankers regarding the concept of Islamic banking, which focuses on the factors that cause the lack of interest in the field. To achieve the purpose of the research, one-to-one in-depth interviews have been conducted with the consumers and bankers who have utilized or avoided the usage of Islamic banks. Keeping in view the massive literature review and some insights into the industry, the research interview must be developed in a way that it somewhat matches the purpose of the research work.

The thematic analysis of the results of the interview conducted for the purpose of the research revealed several themes, as shown below.

4.1. Consumer Perceptions of Islamic Banking

One of the issues that was quite clear from the interview with the consumers was the perception of consumers that Islamic banks are more or less the same as conventional banks. They cited the fact that Islamic banking is 'the same system with different names.'

A section of the consumers was of the view that the Islamic banking products like Mudarabah, Musharakah, and Ijarah are simply the same as the conventional ones, the only difference being the names. This acts as a major weakening factor for the consumers and acts as an impediment for the consumers to adopt Islamic banking from conventional banking.

4.2. Trust, Transparency, and Authenticity Concerns

Trust is another factor, and this also came up as a very important factor in influencing consumer decisions. The consumers expressed their concerns about the authenticity of Islamic banking and how banks actually operate as per Shariah principles.

The consumers also pointed out how it is important for consumers to be made aware of how profits are being generated and where the investments are being made so as to avoid any sort of confusion. It was also mentioned how such institutions, like the State Bank of Pakistan, need to ensure higher disclosure for establishing transparency.
The consumers also pointed out how religious scholars, also known as Ulema, play an important role as opinion leaders so as to bridge the gap of trust by creating a distinction between good and bad dealings.

"The Islamic banking system is also almost the same as the traditional one, the name is changing."

These views were held by consumers who were using the service as well as those who were not using the service.

4.3. Service Quality and Customer Experience

The other major theme, as identified in this study, is related to low perceptions of service quality in Islamic Banks. Low perception of service quality is also related to customer dissatisfactions with the efficiency of services and customer handling.

Customers perceive Islamic banks as being of lower quality compared to conventional banks with regard to the efficiency of processing transactions, hours of services, and untrained staff

The individuals who were interviewed stated that the staff of Islamic banks lack proper product knowledge, resulting in unclarified responses, thus discouraging potential customers.

"The staff themselves do not clearly explain Islamic products, which causes confusion."

4.4. Cost Structure and Financial Attractiveness

Financial aspects emerged as a major factor in influencing consumer behavior, and this is evident from the results of the in-depth interviews with consumers, who strongly believe that the financial costs of Islamic banking services are higher, particularly with regard to the following aspects: Remittance rates, Transaction charges, and No free services.

Some of the consumers also stated that debit cards, fund transference, and other such transactions attract certain fees, whereas in banks, such services are available for free or at lower costs.

The rates of profit, which are lower, have also been a major deterrent for consumers, as they believe that the rates of profit of the interest rates of the Islamist banks are not competitive to a great extent to justify the shift for religious reasons alone.

4.5. Convenience, Branch Network, and Accessibility

The factors related to convenience, such as an insufficient branch network, also play a role in low preference. Customers were perceived to emphasize the importance of convenience in accessing the bank's branches and ATMs, particularly for basic banking services.

Some of the participants perceived that there might be a potential market for Islamic banking services in semi-urban and rural areas due to a religious inclination. Limited availability in such areas is a barrier for Islamic banks.

4.6. Role of Religion in Banking Choice

Although religion was acknowledged as an important factor, consumer data showed that it is an individualistic choice, which by itself is not responsible for banking services. Consumers have claimed that service quality cannot be ignored, even for banking purposes.

A large number of respondents claimed that they sought "mental satisfaction" through Shariah-compliant banking, but not at the expense of "efficiency and financial benefits." This is because Pakistan is a pragmatic public, whose economic reasoning is never dominated by religious factors.

4.7. Bankers Perspective on Islamic Banking Challenges

From the analysis of the literature and the findings of the interviews with the bank professionals, it was revealed that the nature and operations of the Islamic bank are the challenges to the bank and its customers. The bank professionals agreed that the customer education and understanding of the concept of profit and loss sharing are some of the factors that are challenging

The bankers also observed that the current accounts could be treated as substitutes to the Islamic bank investments due to the various uncertainties existing with respect to returns. In addition, the size of the institutions was a constraint in growth and services.

4.8. Findings

The general impression derived from all the qualitative research is that the low level of preference for Islamic banking in Pakistan is due to perceptual, operational, and structural issues. The consumers perceive no differentiation in Islamic banking and other forms of banking, and they also lack trust in the authenticity of Islamic banking, as well as low levels of service and costs being higher compared to returns.

While the role of religion cannot be ignored as a factor, it is also not sufficient to influence the consumers on its own, and what is expected of the consumers is to provide competitive offers, transparency, and ease of access, as well as value addition for the purpose of adoption, apart from the fact that the offers should also be Shariah-compliant. It is with such a background that the qualitative research aims to understand the reason why, despite its appeal in the form of religion, the adoption process of Islamic Banking is still a problem in the Pakistani context.

5. DISCUSSION AND CONCLUSION

The main purpose of this research work is to explore and interpret the reasons for the less favorable attitude of Pakistani consumers towards Islamic banking, as the country has a vast majority of Muslims. This research work has been conducted using the qualitative research methodology, and it has been very useful in obtaining information about consumers (adopters as well as nonadopters of Islamic banking) and Islamic banking professionals.

It has been observed from the data collected in this research work that similarity with conventional and Islamic banking is still one of the most important factors, which may prevent people from adopting the new practice. Similar to other research works, it has been observed in this research work also that people do not believe that there is any difference between conventional and Islamic banking, as Islamic banking is actually conventional interest-based banking under the name and title of Islamic banking.

The second important aspect that comes into play is related to the factors of trust and transparency. The consumers did not trust the claims made by the Islamic banks about their compliance with the Sharia principles. This was primarily because of the lack of transparency in the acquisition of profits as well as their use. This indicates that, apart from being a regulatory aspect, transparency is also related to the aspect of customer preference. This further emphasizes the need for the regulatory authority, that is, the State Bank of Pakistan, to take a more proactive role in the context of Islamic banks in the context of transparency.

Service quality was one of the important non-religious factors that came into play in the context of influencing consumer behavior. However, the consumers expressed their disappointment in the context of service efficiency, knowledge of the personnel, and customer service treatment in the existing Islamic banks. This anxiety indicates that the consumers would not be satisfied with less desirable service, regardless of the religious aspect of the service.

Financial factors also have an important role in discouraging customers from availing Islamic banking services. Customers consider the high cost of availing Islamic banking services, particularly for remittance, transaction charges, etc. Moreover, the low rates of profits also make the services less attractive. The results have shown that economic sense dominates over religious sentiments, particularly for educated consumers.

Although the significance of religion has been established, it was also revealed that religion alone does not form the basis for the choice of banking services. There exists a number of customers who seek psychological and moral fulfillment through Shariah-based banking. However, the needs of the customers, if considered alone, appear to be insufficient for compensating for the shortcomings.

Regarding bankers perspective, issues such as lack of awareness among customers, sophistication of Islamic financial services, and institutional capacity constraints remain other constraints to Islamic banks. Bankers admitted that a lack of training among staff worsens customers' confusion.

In conclusion, the research identifies that the low preference for Islamic banking in Pakistan is a complex phenomenon not only associated with religious viewpoint considerations but also with trust, service delivery, cost, accessibility, and product offering considerations. In this regard, for the identified issues to be addressed, it is imperative for Islamic banks to offer more than just Shariah-compliant services to their customers

6. MANAGERIAL IMPLICATIONS

The findings of this study have important implications for the management of Islamic banks. First and foremost, Islamic banks should focus on differentiation. By highlighting the differences between Islamic and conventional banks regarding product structure, profitability, and Shariah compliance, customers will be able to appreciate the unique features of Islamic financial products relative to interest-based financial products.

Secondly, improving service quality should be a key strategic focus for Islamic banks. This is important because it is vital for Islamic banks to invest in their employees, enabling them to have sufficient knowledge regarding banking and Islamic finance, which will, in turn, enable them to serve their customers confidently, helping to eliminate customer confusion regarding banking needs.

Third, banks should review their pricing and cost issues. High transactional costs, remittance rates, and the absence of free basic services may act as barriers for the customers, especially if compared to conventional banks. Providing competitive rates and value-added benefits may greatly contribute to improving the perception of the bank by the customers.

Fourth, the expansion of the bank's branch network is vital. This strategy may greatly contribute to tapping into the untapped market by expanding the presence of Islamic banks, especially in areas that are considered more religious in nature and less served, such as semi-urban areas.

Fifth, the marketing and awareness campaigns should be totally revamped. Media, Islamic experts, and regulatory bodies should be utilized for the dissemination of information about the Islamic banking system in an authentic manner.

Finally, a stronger level of government oversight, such as that provided by the State Bank of Pakistan, would ensure that the practices of Islamic banks fully comply with Sharia laws while at the same time giving them a competitive edge. Conclusion In conclusion, by addressing both religious and non-religious factors influencing consumer choice, Islamic banks would be able to position themselves favorably as a viable option to conventional banking in Pakistan.

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