

ISLAMIC MARKETING ETHIC AND ITS IMPACT ON CUSTOMER SATISFACTION IN ISLAMIC BANKING INDUSTRY OF PAKISTAN

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ABSTRACT

This study attempt to examine Islamic Marketing Ethic and Its Impact on Customer Satisfaction in Islamic Banking Industry of Pakistan. The scope of the study was limited to the customers of Islamic banks and also significant due to a rising tendency of Islamic banking performance in Pakistan. In the light of the findings, several concrete recommendations were made for the improvement of Islamic banking system as well quality service and customer satisfaction also. The analysis would be strengthen the marketing strategy as well as service quality of the Bank. There is high potential for Islamic banking industry. It is recommended that the Islamic banking industry standardize the marketing ethic and provide the quality service to their customers. The social justification of this research was to explore the potential of Islamic Banking with maximize the social market ethics and develop the good relationship with the customers and enhance the satisfaction in positive tone.

Key Words: Marketing, Ethic, Impact, Customer Satisfaction, Islamic Banking Industry

INTRODUCTION

The rapid change in sales and marketing atmosphere has been demanded to focus on customer has extensively on horizon. The consumer banking has robust growth in Pakistan and banks have potentially entertain the customer with great satisfaction. In Pakistan the execution of Marketing Management practices are to be focus which are not divulge in the valid sense in Banking sector. The role of Islamic Banking is potentially on peak. It has knocked the attention of customers and gets enormous reputation among the bank Industry. Islamic banks not only contain their business but also standardize the business strategies which create on believer reliance and piety. Islamic banking and its marketing ethics are the principle mixture of integrity and justice to the society.

Islamic banking promotes their products by mapping the customer`s needs. Banking with Islamic marketing principles identify the benefits, problems, issues, as well as the success and failure factors of the implementation and enhance a better standard of customer relationship. The Islamic moral philosophy has encouraged the dealing between Customer Relation Advisor (CRA) and customer of Islamic Banking, communal interaction as well as individual are depended on the judgment of Islamic ethics. Customer Relationship Management is play a significant role to induce the

customer by mechanizing the business strategy. It not only persuades the new customers but also to retain the old.

LITERATURE REVIEW

Islamic Banking in Pakistan

Islamic banking and finance (IBF) is an ideological ideological line that draws on the principles to exclude interest and other exploitative elements from the economic and financial sphere of human society. It is an equity-based system that primarily relies on profit and loss sharing (L) mode namely, Mudharabah (joint venture) and Musharakah (equity participation), to reform borrowing, lending and investment function. However, it may use some other interest-free instrument, such as Murabahah (deferred payment), Ijarah (leasing), Bilim (dividend payment) and Bilatin (procurement engagement), to replace the interest-based banking and finance system in its entirety.

At the end of 70 Pakistan originated their banking system into Islamic pattern, effective from July 1985 all commercial banks transfer into Islamic banking system. (Tahir and Umar, 2008) [1]. The Islamic banking movement originated in 1980. The effort for transforming the economy and financial sector of Pakistan into Islamic line were made over 22 years but still in vain. However, Islamic banking system has been revived in Pakistan under the dual banking system since 2002. Currently there are five fully dedicated Islamic banks which run the affairs through more than 1115 branches throughout the 79 major cities of Pakistan. In Pakistan the Islamic banking network contains with five full-fledged Islamic Banks. viz: Meezan Bank Limited, Al Baraka Islamic Bank (Pakistan) Limited, Dubai Islamic Bank Pakistan Limited, BankIslami Pakistan Limited, and Burj Bank Limited with 1115 Islamic Branches of Conventional Banks and Sub Branches of full-fledged Islamic Banks. Their accumulated deposit portfolio is Rs.771 billion. (SBP, Islamic Banking Bulletin, Jun, 2013) [2]. Islamic banking network spread more than 07 main cities of Pakistan, 77% of Islamic Banking network consist in Sindh and Punjab region.

Ideologically eloquent, Islamic financial institution are ubiquitously integrated into the entire system of Muslim polity. They need genuinely strong support from the institution if they are to survive and succeed in their objective. However, this did not happen in reality when attempts to do the nationwide IBF system were undertaken in Pakistan over the decade. The re-identification of Pakistan, General Zia-ul-Haq, took the initiative of enforcing an Islamic economy in the country, though for the sake of vested interest. His government and the succeeding government resorted to making merely cosmetic change to the banking and financial sector of Pakistan. The bureaucracy in the Ministry of Finance did not however really intend to implement the IBF system, for their own convenience and vested interest. The B did not provide the banking and financial institution of Pakistan with sufficient resources to implement and rectify the

Islamic system. It unequivocally encouraged the predominance of conventional Islamic mode in the banking and financial sector of the country. The absence of financial and credit institutions in the Islamic mode of finance, which run very high risk of default compared with conventional lending. The majority of business people in the country rejected bank borrowing on the basis of business rivalry well transaction. General director in the country showed strong reluctance to be involved in their so-called Islamic debt in the country. The glaring socio-economic imbalance in the country, such as the huge burden of domestic and international loans, non-performing loans, lower saving and investment, inefficient tax system, subject to poverty and illiteracy, and moral hazard, duly contributed to defeating the process of the Islamic transformation of the country's economy and financial sector.

Islamic Marketing Ethic

Islamic teaching follower to engage in the development of wealth quotation, Allah .W.T. state the verse through one of the Quran verse follow :

O you who believe! Eat not up your property among yourselves unjustly except that be trade among you, by mutual consent. And do not kill yourselves (nor kill one another). Surely, Allah Most Merciful to you (1-Qur 4:29)3[.]

In terms of Islamic marketing, the total submission to Allah .W.T. means that the entire of marketing must be in line with the teaching of Islam. Of course, in some way, the implementation of Islamic marketing must be able to include the rights of Islamic principles of marketing activities, from the planning to after service. In other words, any marketing activities must be done within the ethical boundaries set by Islamic teaching.

Implementation of Islamic Banking

Islamic banking is a pillar to the Muslim country. Islamic banking has been established in more than 100 countries, with a net total of \$300 billion in assets and revenue by 15 percent year, according to the Banker, (2005) financial service on the world. In Malaysia, where 60 percent of the population Muslim, both Islamic bank and conventional bank operate side by side. The first Malaysian Islamic bank, Bank Islam Malaysia Berhad, was established under Bank Act 1983. The Malaysian Government has issued three licenses for international bank to operate full-fledged Islamic banking in 2004. Today, there are 11 Islamic banks under the Islamic Banking Act 1983 and eight dual-window banks under the Islamic Banking scheme are offering Islamic banking products and services in Malaysia. In implementing dual-window banking system, the Islamic banking system operates in line with the conventional banking system (Bank Negara Malaysia, 2007).

In June 2006, the Malaysian Islamic banking industry received 5 percent of RM117.393 million, representing 11.8 percent of the total over all banking system. The market share of Islamic deposit and financing stood at 15.6 and 11.6

erent om red with 11.7 erent n 2005 (B nk Neg r M l y , 2007). Me nwh le, B nk l m (B MB) re ortd th t ome 70-80 er ent of the b nk' tr de nd or or te f n n ng re w th non-Mu l m l ent (M l y n Bu ne). Delo tte Tou he Tohm t u M l y re ortd th t 70 er ent of l m b nk f n n ng n M l y w ontr buted by non-Mu l m . Delo tte Tou he ex l ned th t l m b nk ng n M l y l k rt t on from Mu l m due to the l k of w rene mong the Mu l m n M l y .

Thu , l m b nk ng not merely of ntere t to Mu l m u tomer but le rly non-Mu l m u tomer ee benef t from u h y tem. n n n re ng om et t ve nd l ber l zed glob l b nk ng ndu try, the om et t on to ttr t nd ret n Mu l m nd non-Mu l m u tomer l kely to n re e. n the future, more fore gn l yer re l kely to enter nto M l y n l m b nk ng, thereby u h ng lo l b nk to nnov te nd om ete more ggre vely n develo ng rodu t nd erv e . l though, there d fferen e between l m b nk nd onvent on l b nk , they re nonethele om et ng n the me m rket n term of offer ng om lement ry rodu t nd erv e . n order to om ete, l m b nk rob bly need to develo effe t ve m rket ng tr teg e , u gr de the r te hnolog l bl te nd develo the r hum n re our e . n rt ul r, there need for l m b nk to develo nd m nt n better erv equ l ty nd u tomer t f t on.

Statement of Problem

Evaluate the Islamic Marketing Ethic and Its Impact on Customer Satisfaction in Islamic Banking Industry of Pakistan.

METHODOLOGY

The methodology implemented for this paper is briefly conversed below:

Strategy

The overall strategy of research was survey. It involves the collection of data at one point in time from a random sample representing the population at that time. This study investigated the Islamic Marketing Ethic and Its Impact on Customer Satisfaction in Islamic Banking Industry of Pakistan, study population by the Islamic bank employees. The researchers explained the questionnaire and objective of the investigation, define its purpose, significance of the project what is expected from the respondents. The total number of 1115 Islamic Branches of Conventional Banks and Sub Branches of full-fledged Islamic Banks. Their cumulative deposit portfolio were Rs. 771 billion. (SBP, Islamic Banking Bulletin, Jun, 2013).

It was not feasible to carry out a census. Consequently stratified random sampling design was adopted. In the final stage of sampling cluster sampling design was used. In this design, the unit of sampling is not an individual customer but all the customers of the Islamic Banks present on the day of the survey. The total sample size was 200 bank customers from the Islamic banks of Pakistan. The break down of the sample is

mentioned below:

Table 1: Customer by Gender

CUSTOMER BY GENDER				
	SOUTH	CENTRAL	NORTH	TOTAL
ISLAMIC BANKS MALE	123	34	22	179
ISLAMIC BANKS FEMALE	16	3	2	21
TOTAL	139	37	24	200

Research Instruments

Tailor-made questionnaires were developed for bank customers. The questionnaire for bank customers was comprised of 50 items. The items of the questionnaire were drawn from the content field in consultation with the experts, review of the literature and the judgment of the researcher. The procedure ensured the content validity of the questionnaires.

Data Analysis

To examine the data analytical technique was used. Quantitative technique has adopted. Table with frequencies and percentages were used for description of data. For statistical inference, t test of significance was used. In testing the hypotheses involving two groups, the t test was used. In the light of the findings, several concrete recommendations were made for the betterment of Islamic banking system.

Composition of the Sample

Table 1 and Pie Chart shows the distribution of Bank Customers by Nature of Job.

Table 2: Distribution of Businessmen & Salaried Individuals by Nature of Job

NATURE OF JOB	FREQUENCY	PERCENTAGE
BUSINESS	54	27
SALARIED INDIVIDUAL	146	73
TOTAL	200	100

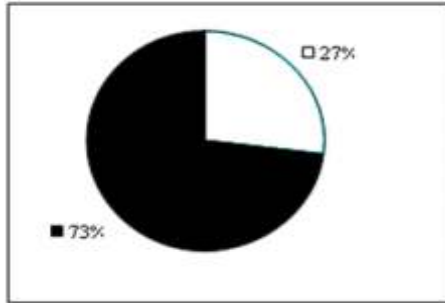


Fig. 1 Pie Chart of customer by Nature of Job

It is evident that 73% of the Bank Customers were engaged as Salaried Individual while 27% having own Business.

TESTING OF MAJOR HYPOTHESES

Null Hypothesis

There will be no significant difference in the views of Business and Salaried Class Individual customers towards the level of satisfaction about the Islamic marketing ethics of Islamic Banking Industry of Pakistan.

Analysis of the Problem

- 1. Ho : $\mu_1 = \mu_2$
- 2. H1 : $\mu_1 \neq \mu_2$
- 3. : 0.05
- 4. Test Statistics : t-test

$$t = \frac{\bar{X}_1 - \bar{X}_2}{SE_{\bar{X}_1 - \bar{X}_2}}$$

5. Decision Rule : Reject H_0 if computed $t \geq 1.96$
 Referring to Table t, we find that the tabulated value of $t = 1.96$, with $df = 198$ at $\alpha = 0.05$ is smaller than the computed value of $t = 16.94$. Therefore the null hypothesis is rejected and it is concluded that there is significant difference between the business and salaried individuals customers towards the level of satisfaction about the about the Islamic marketing ethics of Islamic Banking Industry of Pakistan.

From the analysis of the table, it is clear that the salaried class individual customers are more satisfied as compare to business related customers.

Table of Raw Data Yield from the Questionnaire for testing the null hypothesis (See Appendix B).

Application of t-test for testing the null hypothesis (See Appendix)

CONCLUSION

The key purpose was to explore the marketing ethics and make recommendations for

increasing satisfaction among the bank customers so as to improve the effectiveness of marketing services as well customer satisfaction of the Islamic banking system.

It was concluded people in Pakistan have a welcoming and satisfied attitude towards Islamic banking because it is based on the principles and teachings of Quran and Sunnah. Islamic banking is purely shariah based that implies the transparent mechanism of the business as well as marketing. In Islam, the basic principles of the marketing is to give the real picture of the product to the customers and not to hide any thing. Customers feel that Islamic banks follow this principle of Islamic marketing ethics.

The cumulative rating of the customer by the respondents was Agree or Moderately Agree. Out of 200 respondents, 42% were Moderately Agree, 46% were Agree, 11% were Strongly Agree, 1% were Disagree.

Hypotheses was developed. The results are presented below:

There will be no significant difference in the views of Business and Salaried Class Individual customers towards the level of satisfaction about the Islamic marketing ethics of Islamic Banking Industry of Pakistan.

The views of the business class customers and salaried individual customers were satisfactory regarding customer satisfaction. Salaried individual customers are more satisfied as compare to business class customers. Due to limited monthly income salaried individual customers tend to the bank for financing and lending facility. Similarly business class customers fulfill their financing needs through various modes of riba free investments.

APPENDIX

Application for t Test for Testing the Null Hypotheses
(As viewed by Customers)

Step 1: Tabulation of data

GROUP 1			GROUP 2		
BUSINESSMEN			SALARIED INDIVIDUAL		
S.NO.	X ₁	X ₁ ²	S.NO.	X ₂	X ₂ ²
1	149	22201	1	155	24025
2	150	22500	2	156	24336
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
53	151	22801	145	211	44521
54	152	23104	146	212	44944

	7130	X	=	27540
N	= 54	N	=	146
X ²	= 956844	X ²	=	5317016
\bar{X}	= 132.04			188.63
S	= 17.06			29.02

Step 1: Find the means of the two groups.

$$\bar{X}_1 = \frac{\sum X_1}{N_1} = \frac{7130}{54} = 132.04$$

$$\bar{X}_2 = \frac{X_2}{N_2} = \frac{27540}{146} = 188.63$$

Step 2: Find the standard deviations of the two groups.

$$S_1 = \sqrt{\frac{X_1^2 - \frac{(\sum X_1)^2}{N_1}}{N_1 - 1}} = \sqrt{\frac{956844 - \frac{(7130)^2}{54}}{54 - 1}} = 17.06$$

$$S_2 = \sqrt{\frac{X_2^2 - \frac{(\sum X_2)^2}{N_2}}{N_2 - 1}} = \sqrt{\frac{5317016 - \frac{(27540)^2}{146}}{146 - 1}} = 29.02$$

Step 3: Find the standard errors of the two mean

$$SE_{X_1} = \frac{S_1}{\sqrt{N_1}} = \frac{17.06}{\sqrt{54}} = 2.3212$$

$$SE_{X_2} = \frac{S_2}{\sqrt{N_2}} = \frac{29.02}{\sqrt{146}} = 2.4020$$

Step 4: Find the standard errors of the difference between the two means

$$SE_{X_1 - X_2} = \sqrt{(SE_{X_1})^2 + (SE_{X_2})^2} = \sqrt{(2.3212)^2 + (2.4020)^2} = 3.34$$

Step 5: Find the degree of freedom

$$1) = df = (N_1 - 1) + (N_2 - 1) = (54 - 1) + (146 - 1) = 198$$

Step 6: Find t

$$t = \frac{X_1 - X_2}{SE_{X_1 - X_2}} = \frac{132.04 - 188.63}{3.34} = 16.94$$

Step 7:

Referring to Table t, we find that the tabulated value of $t = 1.96$, with $df = 198$ at $\alpha = 0.05$ is smaller than the computed value of $t = 16.94$. Therefore the null hypothesis is rejected and it is concluded that there is significant difference between the business and salaried individuals customers towards the level of satisfaction about the Islamic marketing ethics of Islamic Banking Industry of Pakistan.

From the analysis of the table, it is clear that the salaried individuals customers are more satisfied as compare to business related customers

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