

Can Islamic Banking be an Alternative to Conventional Banking? A Survey on the Opinion of Depositors in Bangladesh

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Abstract: *Given its distinct principles of banking operation, a general concern of research on Islamic finance is whether the Islamic banking is an alternative approach to the conventional banking. In an attempt to address the concern, this study aims to survey depositors' reviews on product and service of their Islamic banks (IB). A respondent group of 395 depositors is selected for the survey from different IBs in Rajshahi city of Bangladesh. The Likert scale approach and data visualization method are used to analyse the depositors' opinion and survey findings respectively. Around 51 percent of the total respondents are operating deposit accounts in both Islamic and conventional banks. This survey finds that, the depositors highly value the fundamental principle, prompt service facility, efficient customer management services and business reputation while selecting the Islamic banking as a preferred banking approach. However, to be a viable alternative and satisfy their depositors, IBs need to improve the transparency factor in investment risk and ensure effective management of banking services. This study has practical implications for Islamic financial institutions operating in Bangladesh.*

Keyword: *Islamic Bank, Shari'a compliance, Customer expectation, Bangladesh.*

Abstrak. *Mengingat prinsip operasi perbankan yang berbeda, perhatian umum penelitian mengenai keuangan Islam adalah apakah perbankan Islam merupakan pendekatan alternatif terhadap perbankan konvensional. Dalam upaya untuk mengatasi kekhawatiran tersebut, penelitian ini bertujuan untuk mensurvei ulasan para deposan terhadap produk dan layanan bank syariah (IB) mereka. Kelompok responden yang terdiri dari 395 deposan dipilih untuk survei dari berbagai IB di kota Rajshahi, Bangladesh. Pendekatan skala Likert dan metode visualisasi data digunakan untuk menganalisis opini deposan dan temuan survei. Sekitar 51 persen dari total responden mengoperasikan rekening deposito di bank syariah dan konvensional. Survei ini menemukan bahwa, para deposan sangat menghargai prinsip fundamental, fasilitas layanan yang cepat, layanan manajemen pelanggan yang efisien dan reputasi bisnis saat memilih perbankan Islam sebagai pendekatan perbankan pilihan. Namun, untuk menjadi alternatif yang layak dan memuaskan deposan mereka, IB perlu meningkatkan faktor transparansi dalam risiko investasi dan memastikan pengelolaan layanan perbankan yang efektif. Studi ini memiliki implikasi praktis bagi lembaga keuangan Islam yang beroperasi di Bangladesh.*

Kata Kunci : *Bank Islam, kepatuhan syariah, harapan pelanggan, Bangladesh.*

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Introduction

Islamic financial institutions (IFIs) are growing worldwide since 1970s. Egypt, Indonesia and Malaysia were the pioneering countries where financial services and products are provided in line of Islamic Principles (Awan & Azhar, 2014). Presently over 1600 Islamic financial institutions are operating around 136 countries in the world (LSEG, 2022). Bangladesh also started Islamic Banking (IB) in 1983 with the establishment of 'Islami Bank Bangladesh Limited'. However, presently out of 61 banks, 16 are full-fledged Islamic Bank having 1593 branches (around 14.5 percent) out of total 10963 branches of the whole banking sector in Bangladesh (BB, 2023).

The development and the growth of IB is not very impressive here. Being a third largest Muslim country in the world, there are still huge potential for the development of IB system in Bangladesh. To be more popular or be more general in banking industry in Bangladesh, IBs need to capture large number of customers by offering quality products and services as a substitute of interest-based product. Competing with Conventional Banks (CBs) in order to attract large number of customers creates challenges for IBs working in banking industry in Bangladesh.

Even though it has increased its working in the country, there is little attention from academic scholars. There are few academic writings on this industry in the context of Bangladesh especially in the areas of bank customer satisfaction, bank patronage factors (Islam, et. al., 2019; Mamun and Khan, 2014). To increase its future growth, Islami Bank has to prove itself as an alternative to conventional banks. This will influence customers with different religious faith and increase the number of depositors. Hence it is necessary to explore how the depositors evaluate the IB policies, assess the benefits of IB system and identify its existing problems to be an alternative to the conventional one. Therefore, the specific objectives of this paper are i) to analyse the depositors' preference of choosing IB products, ii) to assess depositors' satisfaction with IB services, and iii) to identify opinion-based

factors of improving IB product and services to be an alternative banking system.

The following section reviews the existing literature in the context of conventional and IFIs. Then we discuss our approach and methodology adopted for this study. The next section consists of the findings and discussions. The last section presents our concluding remarks with some policy recommendations for Islamic bank to be an alternative banking system and suggestions for further research.

Literature Review

Islamic Banking: A Conceptual Overview

Islamic financing is considered as a preferable mode of financing by the present Muslim world. In its simplest form, the idea of Islamic financing refers providing the factors of production and goods and services for which payment is deferred. While in general financing, provision of factors of production, goods and services strictly requires an immediate counterpart to be paid by the receiver. Unlike to the general mode of banking, the practice of Islamic banking relies upon the idea of providing banking services while payments for them are delayed to later dates. The basic principles of Islamic banking are therefore derived from the axioms of justice and harmony with reality (Kahf, 2004). These are the principle of profit sharing and the principle of sale or lease. By profit sharing, the Islamic financing means to share the actual outcome/net profit or loss of a productive investment. It is believed that imposing the risk burden on one party, i.e., the entrepreneur, regardless of the project makes profit or loss is unfair and injustice. The rate of sharing profit or loss between the financier and beneficiary is determined by the fair play of market forces (Kahf, 2007). In case of sale or lease principles, the Islamic bank takes the kind of risk associated with buying and owning a good and providing it for its user. Similar to the principle of profit sharing, the fair play of market forces determines the price/rent of the goods sold/leased out by the financier to the beneficiary.

The Islamic law believes that the owner of a property should carry the liability of any profit/loss that may happen to his property. Such principle of justice and fairness requires that the actual outcome of such productive investment should be fairly distributed between the financier and the beneficiaries or entrepreneur. On the contrary, interest-based financial intermediation is based on giving either party a predetermined fixed amount regardless of the actual profit or loss. Since the interest is prohibited in Islamic law, Islamic banks operates financial intermediation on the basis of sharing contracts which do not include lending and borrowing (Siddiqi, 2004). Similar to the conventional banks, Islamic banks collect savings from income earners who have surplus and use those funds to purchase goods and services for the entrepreneurs and consumers who requested the bank to finance their projects. However, unlike to the conventional bank, Islamic bank acts upon orders from the entrepreneur or the user of the fund (Kahf, 2007).

The Islamic modes of financing has, therefore, its direct link to the development of a real economy. This is because, Islamic financing is virtuously a real-life, real-goods/services financing (Kahf, 2004; 2007). As for example, the sharing mode of Islamic financing can be useful for productive enterprises that involve real-life businesses which increase, improve or enhance the quantity, quality or usability of real goods and services. The sale-based mode is involved with actual, physical exchange of commodities between the financier and beneficiaries. Here, the financing is measured by the real sale of commodities and can only be provided to the extent of the real value of goods exchanged (Kahf, 2004; 2007). As a result, the nature of Islamic financing is exclusively integrated with the exchange and trade of commodities and services and limited to the actual amount of finance that is required by transactions taking place in the market.

Additionally, Islamic banking strictly believes in ethical and moral values in Islamic finance and complements economic development. Islamic banks restrict their financing to goods and services that are useful and not harmful such as alcoholic beverages and tobacco or morally unacceptable

services. They do not extend their assistance to activities that are harmful to society and anti-developmental. This adds another dimension to the developmental role of Islamic banks and has a long-term impact on the productivity in an economy. One of the major developmental activities of Islamic banks is the establishment of social funds (Kahf, 2004; 2007). In particular, such fund is designed for managing the economic hardship of the poor and needy society of the nation. Such funds are financed by the annual *zakat* dues on shareholders' equity and *zakat* deduction agreement with the investment depositors. Given such linkages with economic development, depositors of the Islamic bank remain concern about the real market. This helps contributes the spirit of the entrepreneur in profit making investment. In turn, such motivation helps both the depositor and entrepreneur groups selecting the bank of choice between the conventional banking and Islamic shariah-based banking.

Customers' Choice of Islamic Banking as an Alternative Banking

Choosing an appropriate financial intermediary has always been a major concern among the depositors and entrepreneurs who plan to invest. In this regard, both parties look for quality services, successfulness of the institution and effectiveness of its saving mobilization principle. Therefore, the nature of relationship with the depositors and investors is an important factor in selection of banks for financial intermediation. In case of choosing Islamic finance or shariah-based bank, customers might wonder whether it is an alternative to the conventional banking and next generation banking (Kahf, 2007). While conventional banks receive deposits against fixed interest, Islamic banks contract with their depositors/savers on investment grounds and sharing basis. The application of 'sharing' principle in fund mobilization strengthens the relationship with the depositors or savers of the bank and helps to outperform other banks. A study by Mamun and Khan, (2014) has found that Islamic banking can satisfactorily provide range of banking facilities and services similar to the conventional banking. Islamic banking is a system that believes in fair and justice, thereby mobilizes savings on the basis of profit/loss

sharing that is considered to be fairer and more conducive to investment and development. Islamic Banking Act 1983(276) defines Islamic banking business as “any business whose objective and operations do not mix elements that are forbidden in Islam” (Ashraf, 2014). Although, by name it may indicate banking for the people of a particular religion, Islamic bank always welcomes all non-Muslim believers (Amin, et al., 2013). In this respect customers from different religion and race can make their choice of selecting Islamic banks. Bashir, (2013) examines the reasons that consumers select Islamic banking and reveals that consumers are aware of Islamic banking products and services to a certain degree; and the reasons for choosing them were profitability and religious principles. Suitable promotional policies and product guidelines are some of the effective criterion that are helpful for the customers to choose Islamic banking products.

Customers of financial intermediaries also review the success status of their chosen institution. As an alternative banking, Islamic banks can be considered as a successful one. It has been expanding at an annual rate of more than 11 per cent for the last three decades (Nouman and Ullah, 2014). As a result, several international conventional banking institutions have been establishing separate Islamic banking operation units or windows and branches or fully-fledged Islamic banks. This helps them to capture the both groups of Muslim and non-Muslim customers. Islamic banking has been partially practiced by several of the international giant banks and financial institutions in the United States, Switzerland, and Britain (Siddiqi, 2004; Iqbal et al., 2018). Both of the investors and entrepreneur group certainly appreciate equal opportunities for obtaining capital for their businesses. Islamic banking gives pioneer producers such an opportunity on the basis of profit/loss sharing or leasing. In general, Islamic banking evaluates the merits of the business to be financed rather than the wealth of the fund user. Economists commonly believe that higher level of social welfare can be achieved if there is a variety of choice for the consumers or customers of the service. When the concept of

Islamic banking is introduced, the market adds it on the list as an alternative choice and thereby widen the prospect of economic and social benefits.

Customers' Satisfaction from the Islamic Banking Services

The overall efficiency and growth in business of Islamic banks as well as other financial institutions lies upon the satisfaction of their customers to a great extent. Indicators of bank efficiency such as ease of service, organized information, diversity of services, and transactions in reasonable times are some of the most important factors in achieving customer satisfaction (Al Dugaishem and Khawaja, 2018). Analysis of client-satisfaction on service quality also emphasize analyzing trust and confidence of customers and their loyalty (Ashraf, 2014). Satisfaction from a service is an intangible phenomenon and can only be measured by evaluating qualitative attributes such as opinion, perception, awareness and purpose for which the service is taken. Therefore, heterogeneity in the level of customers' satisfaction could be obvious.

Measuring the customers' satisfaction has always been a prime concern among the Islamic banking policy makers and researcher. Different methods and perception models have been used by previous literature to evaluate the customers' satisfaction from Islamic banking. Amin and Isa (2008) examine the relationship between service quality perception and customers' satisfaction in Malaysian Islamic banking. This study uses a measurement scale consisting of six dimensional structures namely tangibles, reliability, responsiveness, assurance, and empathy, and the compliance to measure the service quality of Islamic banking. This six-dimensional model, called the SERVQUAL, has also been approved by other studies (Al Dugaishem and Khawaja, 2018; Khafafa and Shafii, 2013; Awan & Azhar, 2014; Al Qaisi, and Alrosan, 2020). Amin and Isa (2008) find a positive and significant relationship between customer satisfaction and service quality like tangibility, responsiveness, assurance and empathy, with the exception that the reliability dimension does not have any effect on customer satisfaction. The results indicates that customers' impressions of Islamic banks' service quality in Malaysia did not meet their standards. The independent variables, namely, compliance, assurance,

reliability and empathy have positively affected customer satisfaction, while the tangibility and responsiveness does not significantly influence customer satisfaction in the Islamic banking system in Malaysia.

Khafafa and Shafii, (2013) used Cronbach Alpha to measure the reliability questionnaire and found similar findings on the reliability dimension. Saad and Alshehri, (2021) therefore examine the awareness level of customers on various Islamic products such as the understanding of the key concepts of interest-free banking service. Kaakeh et al. (2019) find that attitude and awareness of the customers affect directly their intention to use Islamic banking. While the image, Shariah compliances, awareness and individualism affect the attitudes directly. In this regard, a study by Asif et al., (2016) found that cost effectiveness, service facilitation and intention are the significant factors to determine the attitude of the customers towards Islamic banking. They are also found that the social factors like relatives, friends and family influence, religious compliances are insignificant impact on attitude towards Islamic banking. Apart from the service quality, customer's satisfaction also depends on product quality.

Bashir (2013) denotes that, the Islamic banking sector in Brunei Darussalam experienced remarkable and increasingly challenges facing the strong competition with conventional banks. The author examined the effects of both service quality and product quality on customers' satisfaction of Islamic banking. Their findings show that impact of service quality and product quality on the awareness of customers' satisfaction are positive and significant. In addition to this, Ashraf, (2014) finds that loyalty, trust, quality and customer service has played an important role in the development of consumer attitudes about products and services of Islamic banking. However, a study by Aisyah, (2018) has found satisfaction of customers does not impact their loyalty, both directly and indirectly. This implies that customers could be dissatisfied with the services provided by Islamic banks in some cases.

Still there is scope to work on improving the quality of products, banks' professionalism up to a sufficient extent so that it can gain customer satisfaction

and loyalty. Amin and Fontaine, (2013) demonstrate that the loyalty of Muslim and non-Muslim customers is influenced by their satisfaction, image of and trust in Islamic banks. It is argued that, customers could be unwilling to be loyal if they do not trust Islamic banks. Muslim customers often establish relationships with Islamic banks because they trust that Islamic banks are Shariah compliant. Therefore, providing secure banking products that are fully compliant with Islamic principles are necessary to achieve customers' satisfaction. Lee and Ullah (2011) also denote that customers of the Islamic banks highly value Shari'a compliance and that non-compliance with Shari'a principles may influence them to switch their choice. Although, Shari'a compliance is not the only measure of satisfaction for Islamic banks' customers; they also expect their banks to be convenient, technologically advanced and provide security of their capital.

Development of Islamic Banking in Bangladesh: Structural Analysis

In Bangladesh, Islamic shariah-based banking is started in 1983. The second Islamic bank of the country, the Al Baraka Bank Ltd, was established in 1997. Later on, few more Islamic banks have been started their operation in the country. According to Bangladesh Bank data, at present, there are ten full-fledged Islamic banks operating in Bangladesh and 1,569 branches. Additionally, eight more conventional commercial banks are operating 39 Islamic banking branches across the country. Shariah-based banking has gained considerable attention among the banking stakeholders, particularly from muslim majority countries like Bangladesh. Assets in Islamic banks such as, Islamic bonds, Islamic mutual fund and Islamic insurance etc. are being chosen frequently by the customers from all over the world. In line with global trends, Islamic banking sector in Bangladesh has also been observing robust growth due to policy supports from the Bangladesh Bank and growing public demand (Islam, et. Al., 2019). In this respect, a study by Mamun and Khan, (2014) compare the level of customers' satisfaction from Islamic bank with that of conventional banks in Bangladesh. It is found that the satisfaction level from Islamic banking is higher than from conventional banking in the study area.

The customers of the Islamic bank are satisfied with their better confidentiality, good behavior of the employees, diversity choice provision of banking products and services, access to current banking related information.

In Bangladesh, Islamic banks share 28.21 percent market in the total banking sector in terms of deposits and 27.78 percent in terms of investments (Bangladesh Bank, 2022). Total deposits in Islamic banking sector reached at BDT 3996.79 billion at the end of March 2022 with an increase of 1.67% as compared to the end of December 2021. In the financial year 2022, among different types of deposits of the Islamic banking industry, Mudaraba Term Deposits (MTD) is at the highest position (45.99%) followed by Mudaraba Savings Deposits (MSD) (19.75%), Other Deposits (15.52%), Mudaraba Special Savings (pension/profit) Deposits (8.67%), Mudaraba Special Notice Deposits (5.22%), Al-Wadeeah Current Account Deposits (4.15%), Mudaraba Savings Bond (0.52%) and Mudaraba Hajj Deposits (0.19%). Total investment (loans & advances) in Islamic banking sector also went up by 2.04% in 2022 as compared to the end of December 2021.

In case of the sector-wise investment, trade and commerce sector was at the highest rank (37.92%) among all other sectors at the end of March 2022. Subsequent sector is the large industry (27.16%) followed by the CMSMEs i.e., cottage, micro, small and medium enterprises (10.71%) (Bangladesh Bank, 2022). Moreover, Islamic banking industry of the country contributes foreign remittance reserve and distributing it among beneficiaries at a considerable extent. Total mobilized remittance by the Islamic banking sector is BDT 134.70 billion 2022 (Bangladesh Bank, 2022). In addition to this, Islamic banks invest in different types of social programs under Corporate Social Responsibility (CSR) activities in Bangladesh from the Zakat funds, compensation charges and Shariah-permitted other sources of earnings (Bangladesh Bank, 2022). These funds are spent among different development projects ranging from education, training, health, to charity-based activities. Islamic banks in Bangladesh also serve the deprived and disadvantaged citizen who are generally remain outside of the conventional banking system.

As a developing economy, it is important to expand Islamic Banking and widen its service provision to capture maximum number of Bangladeshi customers. At the same time, it is necessary to resolve existing challenges. Inadequate and comprehensive legal infrastructure, absence of Islamic inter-bank money market, lacking in recognition of Islamic products by the international financial and non-financial sector are some of the major existing challenges in Bangladesh Islamic banks. Also, comprehensive research work on Islamic economics, banking and finance could possibly describe why Islamic Banks often fail to finance high return projects.

Gaps in Existing Literature

Available literature on Islamic banking focus on analysing the satisfaction of the customers with banking service quality. Most commonly, customers or depositors from Muslim countries of the Asia and North Africa continents have been selected for the research study. Examples of such countries include Brunei Darussalam, Lybia, Jordan, Indonesia, Malaysia, Pakistan, etc. (Saad and Alshehri, 2021; Al Qaisi and Alrosan, 2020; Aisyah, 2018; Khafafa and Shafii, 2013; Bashir, 2013). Limited research on Bangladeshi customers' satisfaction with Islamic banking products are available in literature. Also, more comprehensive study is required on marketing strategies and development of banking management. Analysis of customers' satisfaction is considered as an important pathway to reach banking efficiency, performance of the bank, and attracting new customers. As a newly growing banking sector, large number of studies on Bangladesh Islamic banks are required. It is noteworthy that existing literature mainly emphasizes evaluating customers' satisfaction. Also, in evaluating customers' satisfaction sufficient number of samples (i.e., the numbers of respondent) has not been interviewed. Large sample size is a primary condition for investigating people's satisfaction and generalising survey outcome. This study has reached 395 Bangladeshi customers. It is argued that evaluation of customers' satisfaction should be followed by the assessment of customers' perception. To our best knowledge, literature on Islamic banking rarely evaluate Bangladeshi customers'

perception toward the services and Sharia's compliances of their bank. One of the top most ranked Islamic banks in Bangladesh i.e., Islami Bank Bangladesh Limited, is not paying highest rate of profit to customer (Islam et. al., 2019). At present, the global market of Islamic banking is focusing on customers-oriented marketing strategies. Bangladesh should also take such challenge of assessing and evaluating up-to-dated marketing strategies. Given this backdrop, more in-depth research on Islamic banking in Bangladesh is required.

Methods and Data

Evaluating the customers' satisfaction and opinion: The Likert scale approach

Socio-economic and economic welfare research often require measuring unobservable phenomenon, such as attitude, opinion or perception of individual/respondents. One of the most popular approaches of evaluating individual's perception of a given social context is the Likert scale. The Likert scale approach is introduced by Rensis Likert (1932). According to Likert, an attitude/opinion measurement will be successful when the underlying study dimension has been conveyed to the respondents accurately. The respondents are asked to choose the response options so that it reflects their position in the given dimension of survey or research. The opinion-measurement method of Likert scale a simple way of evaluating a specific study criterion that helps to construct multiple-item measures precisely. The scale may be formed using 3 points, 5 points, 7 points or 10 points opinion categories depending on the specific survey objective of measuring the intensity of opinion heterogeneity. Therefore, a Likert scale can measure broader attitudes and values satisfactorily. The conventional 5-point Likert scale that is most frequently used in surveys or research projects is illustrated in Table 1. This paper used the Likert scale approach to evaluate customers' satisfaction, opinion, attitude and perception of Islamic bank's products and services. Basically, the objective here is to evaluate the extent to which a customer is satisfied of or recommend for

the Islamic banking products. In particular, this Likert scale method helps to transform the qualitative attribute data into quantitative measures with ease.

Table 1. Likert scale: The agree-disagree approach

	Disagree			Agree		
Scale of point	0	1	2	3	4	5
Interpretation	None	Very low	Low	Mediu m	High	Very high

Source: Prepared using Likert Scale method

Visualising the customers' satisfaction and opinion: The content cloud approach

Data visualization is often useful in analysing qualitative data, identifying patterns of survey attributes and extracting valuable insights of the respondents. This helps simplifying heterogeneous information collected through interviews, surveys, and observations and generalising survey findings and interpretation with ease. Visual presentation of data in illustrative diagrams enables decision-makers to make effective decisions. In this regard, *content cloud* is an effective research tool. It quantifies and analyses the presence, meanings, and relationships of certain words, themes, or concepts. The content cloud approach is a widely used qualitative research technique. In addition to the statistical frequency, this paper used the content cloud method to visualize the variations in customers' satisfaction and opinion about the products and services of Islamic banks. The method visualizes and summarizes the contents (e.g., opinion variables of the customers) by displaying categories (e.g., recommendation intensity of the customers for IB product/service) in order (Cidell, 2010). The most often chosen opinion will be appeared in the largest shape, while the rarely chosen opinion option will be in the smallest size in shape within the cloud. Therefore, it helps to visually compare different opinion information on a single plane.

Sampling

A survey-based qualitative research often requires collection of data through the non-probability sampling. Generalisation of research

findings/results through probability (or random) sampling technique best suits in analysing quantitative data. Since this study extracts research findings from a survey of qualitative attributes, such as customers' satisfaction, selection of the respondents is done using non-probability sampling technique. In particular, the convenience sampling technique is used given the restricted access to the Islamic bank's customer-information database. Respondents, i.e., the customers of Islamic Shariah-based banks, are interviewed face to face using a structured questionnaire in field survey. The interviewers visited different branches of Islamic banks in Rajshahi city of Bangladesh. During the bank-working hours, customers who visited the banks were randomly requested for the interviewed. The questionnaire consists of two modules. The first module consists of demographic, socio-economic and banking-related basic information of the respondents. The second module is prepared to collect data on attitudes of respondents regarding product and service of Islamic bank especially Sharia's compliance and potential withdrawal risk etc. The questionnaire is prepared using close-end, open-end and Likert scale questions. The sample size of this survey is 395 and the data collection were done in February-March in the year 2022.

Data description

Table 2 shows the description of the survey respondents. Around 88 percent of the respondent were male, while the rest of the respondents were females. The respondents' age varied, with around 10 percent as less or 20 years old, around 53 percent between 21 and 30 years old and around 37 percent as more than 30 years old, which reflect the maximum diversities. Their level of education was also varied, as 4 percent, 11 percent, 7 percent and 74 percent as illiterate, primary, secondary and above secondary respectively. In some cases, respondents were unwilling to provide some of their demographic information. The data were analysed using descriptive statistics and cross-tabulation. Although there are several variables, we combined the relevant variables' descriptive statistics into a table in order to reduce the number of tables and make them easily understandable.

Table 2. Characteristics of the survey respondents

Characteristics	Categories	Frequency (n)	Percentage (%)
Age (in years)	≤ 20	39	9.87
	21-30	208	52.66
	>30	148	37.47
	Total	395	100
Religion	Islam	389	98.48
	Others	6	1.52
	Total	395	100
Gender	Male	349	88.35
	Female	46	11.65
	Total	395	100
Education (In years of schooling)	0	15	3.80
	0-5	42	10.63
	6-10	29	7.34
	10+	298	75.44
	Missing	11	2.78
	Total	395	100

Source: Authors own calculation

Result and discussions

Accounts and involvement

Table 3 shows the data description of account types and customers' involvement duration with Islamic Banks. More than 80 percent of the respondents have either current or savings accounts in their Islamic banks. Not surprisingly, only a few percentages of the respondents, only around 14 percent, have deposit accounts. This indicates that types of involvement are mainly personal and/or business transaction not the borrowing type. Moreover, more than half of the respondents are still maintaining accounts with the conventional banks. This probably because either they are not satisfied with some aspects of their Islamic banks or to avail some facilities which are not in their Islamic banks. Same type of conclusion drawn by Lee and Ullah

(2011) in their study in Pakistan for Islamic banks' customers maintain their account in conventional banks. Interestingly, it is also seen that majority of the respondents, around 81 percent, have been involving with Islamic banks for within 10 years. There is the risk associated with Islamic banks that customers can easily switch back to conventional bank if they are not satisfied with either the services or Shari'a compliance of their Islamic banks.

Table 3. Account types and the involvement with Islamic Banks

Characteristics	Categories	Frequency (n)	Percentage (%)
Type of Account	Current	91	23.04
	Saving	234	59.24
	Time deposit	54	13.67
	Missing	16	4.05
	Total	395	100
Involvement with conventional bank	Yes	201	50.89
	No	187	47.34
	Missing	7	1.77
	Total	395	100
Duration of involvement with Islamic banks	1-10 year	318	80.51
	11-20	48	12.15
	21-30	13	3.29
	31+	1	0.25
	Missing	15	3.80
Total	395	100	

Source: Authors' own calculation

Banking motives

During the interview most respondents expressed their belief that their Islamic banks are the religious business entities. Being a Muslim, this was the main motives for them to involve with their Islamic banks. As expected, most of the respondents, around 94 percent, answered that Islamic banks principles is most important for them to become customers of Islamic banks (Table 4). This

finding supports previous literature on Shari'a principle is the most important consideration for Islamic banks' customers' motivation to involve with the bank in Pakistan (Lee and Ullah, 2011), in Malaysia (Saad and Alshehri, 2021), in Jordan (Al Qaisi and Alrosan, 2020), in Indonesia (Aisyah, 2018), and in Libya (Khafafa and Shafii, 2013). In this respect, the present research also found that a very few percentage respondents join their Islamic banks because of other factors like influenced by friends and family (about 25 percent) and reputation of Islamic banks (around 32 percent). These again reinforce the findings that the Shari'a compliance is the important key patronage factor for attracting customers for Islamic Financial Institutions in Bangladesh.

Table 4. Key motives for selecting IB

	Principles of IB	Influenced by others	Reputation of IB
Yes	371 (93.92)	100 (25.32)	125 (31.65)
No	22 (5.57)	289 (73.16)	260 (65.82)
Missing	2 (0.51)	6 (1.52)	10 (2.53)
Total	395 (100)	395 (100)	395 (100)

Note: Percentage values are given in parentheses

However, the above conclusion does not mean that other factors like the quality services related to banking are not important for the Islamic banks' customers. As we found, most respondents do expect that their banks should provide quality services in terms of quickness of service delivery, online facilities, staff behaviour and service charges (Table 5). More than 90 percent respondents expected to have two of them in their Islamic Banks, i.e., fast services and good staff behaviour. Good and reliable online facilities as well as less service charge are also important for the respondent but not much of the former two, around 70 percent respondents against 90 percent. It is worth mentioning that along with the Shari'a compliance competitiveness factors related to banking are also important for attracting customers to Islamic banks in Bangladesh.

Table 5. Expected services quality of IB

	Fast Services	Good Online Facilities	Good Staff Behaviour	Less Service Charge
Yes	358 (90.63)	279 (70.63)	360 (91.14)	299 (75.70)
No	35 (8.86)	108 (27.34)	34 (8.61)	84 (21.27)
Missing	2 (0.51)	8 (2.03)	1 (0.25)	12 (3.03)
Total	395 (100)	395 (100)	395 (100)	395 (100)

Note: Percentage values are given in parentheses

Respondents' opinion

As the Shari'a compliance is the key patronage factor for Islamic banks, a more important question should be whether customers are aware of banking principles of their Islamic banks. This is the risk factors for Islamic banks to lose customers or not to compete with conventional banks.

Table 6. Respondents' beliefs and opinion about Islamic banking

Strongly Disagree (%)	Disagree (%)	Agree (%)	Strongly Agree (%)	Do not know (%)
Belief on IB's compliance with Shari'a principle (Profit-loss based)				
1.0	6.3	59.0	22.3	11.4
Belief that IBs are transparent compare to conventional bank				
23.5	63.5	1.5	4.1	7.4
Perceptions on difference in product/service between IB and conventional bank				
12.2	16.5	42.0	18.2	11.1

Source: Authors' own calculation

Table 6 shows that their understanding regarding following shari'a compliance of their Islamic banks. Only 22 percent respondents are strongly agreed that their Islamic banks are following Shari'a principles while 59 percent respondents agreed on this. The field survey note revealed that the bank (or employees) often remains reluctant to clarify the profit-loss sharing principle to their customers, depositors and lenders. Around 6 percent of respondents

agreed that their Islamic banks are transparent in their banking activities while 87 percent is either disagree or strongly disagree that their Islamic bank is comparatively better transparent than the other conventional bank. It is also found that, 60 percent customers are agreed that service quality of the Islamic bank is different from the conventional banks. In general, respondents of this survey operate their account of Islamic bank because of their trust, religion belief and in some cases for the financial benefits.

The content cloud of customer’s opinion and satisfaction

Figure 1 exhibits the content clouds of selected opinion-attributes of the customers of Islamic banks surveyed in the study area. The larger shape of the content of a given attribute implies highest frequency of that content (or the opinion choice) and lowest otherwise.



Figure 1. The content cloud of customers’ satisfaction-related attributes

In the study area, most of the customers strongly agrees that their Islamic banks satisfactorily comply with the general principle of Islamic banking. The investment climate in Islamic banking is quite favourable as

identified by the respondents. They think that investing in time deposits is either slightly risky or mostly not risky. However, majority customers' concern is about the transparency factor. They think that Islamic banks are not satisfactorily transparent in investment deals and providing transaction services. Consequently, in the question of overall satisfaction with the banking service, the respondent group who are highly satisfied is behind the least satisfied group.

Conclusion and Recommendations

Islamic banking is growing in Bangladesh. Being a Muslim majority country, there are huge potential for the development of Islamic Banking System in Bangladesh. However, IBs need to compete with the conventional banks by offering products and services that do not violate the Shari'a principles as substitute of interest-based product. Therefore, this paper analyse the depositors' preference and satisfaction of choosing IB products and services. Apart from those this also identify opinion-based factors of improving IB product and services. It is found that compliance of Shari'a principles is the main motivational factor for the customers to select IBs. However, depositors also valued other service related factors and transparency of their bank's operations. Base on this study we may suggest some policy recommendations for Islamic financial institutions operating in Bangladesh. Broadly two recommendations are:

i) Along with Shari'a compliance, Islamic banks need to provide information regarding their banking principles and operations to their customers. IBs need to organize seminars or meetings, at least once a year, with customers where banks will clarify their different ventures, their principles and profit-loss accounts at a glance.

ii) IBs need to concentrate on the service quality to compete with conventional banks as depositors highly valued these. They need to provide prompt and efficient services to the customers.

In the conclusion, we may say, although we have found several interesting findings in this study, further research can focus on doing empirical analysis of motivational factors that influence customers to choose IBs products or push them back toward conventional banking.

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