

*Full Length Research Paper*

# **An empirical investigation of Islamic banking in Pakistan based on perception of service quality**

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**This study examines the perception of bank customers regarding service quality of the Islamic banks as well as conventional banks in Pakistan. In today's global and border less market, service quality is gaining importance for successful survival of banks. This study is important due to an emerging trend of Islamic banking practices in Pakistan besides conventional banking to replace Riba based products with the sharia'h compliance products. Data were collected from 720 bank customers by using stratified random sampling. It is found that the perception of customers of Islamic banks regarding service quality is higher than the perception of customers of conventional banks. The results indicate that there is significant difference in perception of service quality among customers of Islamic banks on the basis of gender but there is no significant difference in service quality perception of male and female customers of conventional banks. The study has a number of implications for bankers, policy makers and academicians. It provides a guideline to Islamic banks for provision of marketable products to meet expectations of male and female customers according to their specific requirements. This study enables policy makers and bankers to make effective and quality oriented arrangements to have satisfied and delighted customers for long term benefits. Academicians are required to conduct research in the banking sector for beautiful blending of theory and practice to analyze the quality of services for increased satisfaction among bank customers.**

**Key words:** Islamic banking, conventional bank, bank customers, service quality.

## **INTRODUCTION**

Pakistani banking sector has witnessed drastic changes over a period of 62 years since its independence. Initially it suffered from a severe shortage of resources and uncertainty due to prevailing political and socioeconomic conditions. Pakistani banking sector experienced an expansion in its network, size and structure due to beautiful blending of commercial banks, micro finance institutions and Islamic banks in all parts of the country. It resulted into an increased competition among banks to attract a greater number of customers by the provision of quality services for long-term benefits. Banking industry in Pakistan has shown an unprecedented growth as the best performing sector having banking assets of more

than \$ 60 billions. Almost 81% of banking assets are owned by the private sector while foreign investors contributed 47% of total paid up capital (Akhtar, 2007).

There are two banking systems that exist in Pakistan namely: Islamic banking and conventional banking. The Islamic bank (IB) and conventional bank (CB) can be differentiated on the basis of objectives, Riba and risk sharing practices. IB follows principles of Sharia'h given by Allah Almighty while CB follows manmade SOPs; IB generates income as profits that is variable while CB earns from the interest that is fixed; risk is shared among lender, borrower and bank in IB while CB transfers the whole risk to others; IB is trade oriented unit while CB works as a pure financial intermediary to deal on the basis of interest. The basic aim of Islamic banking is to provide interest-free products and services instead of achievement of maximum returns on financial assets by hook or crook. It is based on principles of Sharia'h and

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does only 'Halaal' (permissible) transactions on the basis of profit and loss. It is found that Islamic bank performs activities in the right direction towards economic development having main focus on human development (Al-Harran, 1993). It is documented that banks have witnessed more profits on Murabaha facilities as compared to conventional loans due to profit and loss base of Islamic products (Ebrahim, 1999).

Uzair (1976) has presented the working structure of Islamic bank and developed a mechanism to cope with the challenges of risk and interest. The study suggested that Islamic banks could help to reduce risk to enhance productive activities in the economy. In another study, it is reported that different stakeholders dealing with Islamic bank are risk neutral and actively engaged in productive activities according to profit and loss based contracts (Siddique, 1973). The most prominent feature of Islamic banking is the sharing of risk among the investor, the bank and the borrower without interest. Islam is a universal faith that promotes brotherhood, social equality and fairness in economic activities for the welfare of the mankind (Chapra, 1985). Similarly, it is reported that equity based contracts stimulate the investment in the economy (Haque and Mirakhor, 1986).

Islamic banks are striving to capture the maximum number of customers to compete with conventional banks by providing a large number of products as an alternative for interest based products. Islamic banking practices came with numerous benefits and challenges for individuals, organizations and society. The existence of Islamic and conventional banks in Pakistan created competition to attract a large number of customers. Every bank is striving to realize greater profits by delivering quality services according to customers' expectations. There is lack of empirical studies regarding customers' perception of service quality offered by banks working in Pakistan especially after inception of Islamic banking practices. This study is an effort to fill this gap in the literature by comparing service quality offered by two banking streams, that is, Islamic and conventional banking in Pakistan. A comparative study is needed based on the exiting literature to investigate the service quality in the banking sector.

This study examines the responses of customers of Islamic banks and conventional banks with reference to service quality due to an increased competition for the provision of diversified financial services. Better quality services resulted into greater customer satisfaction and reduced customer erosion (Leeds, 1992). Service quality in banking sector contributes a lot to gain competitive advantage to maintain long-term relationship with customers (Zeithmal et al., 2000). Demographic characteristics should be considered by the bank managers to understand their customers. Customers' perception of service quality differs in terms of gender, ethnicity, education and income (Urban and Pratt, 2000). This study assessed the customers' perception of service

quality on the basis of gender due to cultural context and prevailing socio-economic conditions of Pakistan. There are number of studies that investigated service quality perception of bank customers in the different parts of the world (Imam, 1987; Anakwue, 2002; Omar and Ogenyi, 2004).

## PREVIOUS RESEARCH

Islamic banks have started their operations at the beginning of 21st century. There is an increasing competition among Islamic banks and conventional banks to capture new customers as well as to retain existing customers. Banks have realized the importance of service quality for successful survival in today's global and highly competitive environment (Wang et al., 2003). Service means a set of benefits delivered from the service provider to the service consumer. Services may be coaching, teaching, consultancy and other modes to facilitate the customers. Banks provide financial inter mediation, consultancy and agency services that are diversified with the passage of time. Services have four key features that differentiate it from goods, that is, intangibility, perishability, inseparability and heterogeneity (Parasuraman et al., 1985; Hoffman and Bateson, 2002). Quality is observed as a major factor in reference to customer acquisition and retention (Galloway and Ho, 1996). It is argued that evaluation of service quality is difficult as compared to physical goods. Physical existence of goods facilitates the customers to buy them due to its aesthetic characteristics (Parasuraman et al., 1985). Service quality can enhance the competitive position of the organization for long term benefits and leads to differentiation (Morre, 1987).

Hanson (2000) suggested that organizations should improve their services to meet the customers' wants and requirements. In another study, service quality is considered very important indicator towards customer satisfaction (Spreng and Machoy, 1996). It is said that service quality represents the answers to some queries like; what is expected by customers? What is delivered? Finally, is there any difference (Woodside et al., 1989)? Service quality is the difference between customers' expectations about the service before its use and their perceptions after receiving the service (Asubonteng et al., 1996). It was found that specific activities like increasing the speed of processing information and customers have resulted in delighted customers while improvement in the reliability of equipment lessened dissatisfaction among bank customers (Johnston, 1997). Service quality got popularity among professionals and academia due to increased competition. It helps to gain competitive advantage to maintain long-term relationship with customers (Zeithmal et al., 2000). Leeds (1992) reported that service quality primarily depends upon the dealings of bank personnel. It was found that approximate 40% of

customers switched their current bank due to poor services and nearly three quarters of banking customers gave the highest preference to tellers' courtesy. However, the banking industry has a link between service quality and customer satisfaction (Avkiran, 1994). It is reported that customers of private banks have higher perceptions as compared to the customers of public banks in Greek banking industry (Kangis and Voukeates, 1997). The expansion of global and integrated banking sector has to face many challenges of legislation, technological and structural changes (Angur et al., 1999). It is suggested that bank managers should be more aware about quality improvement efforts to gain competitive position in the market. The results of these efforts are slow and sometimes have little influence (Longo, 2000). Banking and financial services are the integral part of services industry and its contribution is increasing with the passage of time (Mishkin, 2001).

Caruana (2002) suggested that banks should concentrate on service quality and customer satisfaction to gain competitive position in the market. It is found that customers' perception of service quality is strongly dependent on customers' values and beliefs that vary from one culture to another (Furer et al., 2002). It is reported that technological factors of service quality are more important as compared to human factors of service quality in Indian banking industry (Sureshchander et al., 2003). There is an ongoing discussion about the service quality and its dimensions. But there is a lack of consensus in the literature about the uniform dimensions of service quality among researchers. It may be due to demographics, cultural, religious, and geographical or other attributes that vary from one country to another. Parasuraman et al. (1988, 1991a,b) developed SERVQUAL instrument to measure the dimensions of service quality that is frequently used by researchers to investigate service quality. It consists of 22 items that are compiled into five dimensions namely reliability, tangibility, responsiveness; assurance and empathy. A list of service quality dimensions in the banking sector across the globe is given in Table 1.

### **Reliability**

Reliability is the ability to perform services dependably and accurately in a consistent manner. It contains five elements to assess the accuracy and credibility of bank services. This dimension of service quality evaluates the promises of banks and its execution from customers' point of view. Reliability is an important determinant of product quality besides good personal service, staff attitude, knowledge and skills (Walker, 1990). It is found that service reliability is the service "core" to most customers and managers should use every opportunity to build a "do-it-right-first" attitude (Berry et al., 1990). It is reported that reliable service is the outcome of the

continuous improvement (Berry and Parasuraman, 1991).

### **Tangibility**

It shows the physical aspects of the services as physical facilities, appearance of personnel and tools used for the provision of services. It is more concerned with aesthetic part of the banks. It is reported that customers prefer tangible dimension of service quality in the banking sector (Jabnoun and Al-Tamimi, 2003). Bank could create customer relationships by delivering added tangible and intangible elements of the core products (Zineldin, 2005).

### **Responsiveness**

This dimension reflects the willingness or readiness of employees to provide immediate services to customers. Customers are very sensitive to employees' working environment in service organizations (Brown and Mitchell, 1993). It was found that correct match between staff skills and customers' expectation resulted in better service quality towards customers (Gollway and Ho, 1996). Service recovery and problem solving are recognized as important parts of services quality (Hart et al., 1990; Dabholkar et al., 1996; Swanson and Kelley, 2001). An accurate communication, proper service delivery and effective conflict handling resulted into overall customer satisfaction regarding bank services in Malaysia (Nelson, 2006). Responsiveness is rated as the most critical dimension of service quality (Tahir and Abubakar, 2007).

### **Assurance**

It indicates the employees' knowledge, courtesy and their ability to convey trust and confidence. Assurance is an essential dimension of service quality after reliability and responsiveness towards satisfaction (Parasuraman et al., 1988). Assurance has the strongest impact on customer satisfaction that leads to positive word of mouth outcome (Arasli et al., 2005). Bank can create customer satisfaction by ensuring trustworthy behavior and reflection of genuine commitments to service provision (Nelson and Chan, 2005). It is found that trust and commitment are crucial factors for customer satisfaction (Nelson, 2006).

### **Empathy**

It shows the magnitude of caring and individual attention given to customers. It is suggested that employees' commitment to deliver quality services, skillfully handling

**Table 1.** Quality dimensions in the banking sector across the globe.

Year	Author (s)	Dimensions service quality
1	1982 Gronroos	Suggest three dimensions of service quality: technical quality; functional quality; corporate image
2	1982 Lehthinen and Lehthinen	Identified three dimensions of service quality: physical quality; corporate quality and interactive quality
3	1984 Gronroos	Refined their previous work into three dimensions of service quality
4	1985 Parsuraman et al.	Identified ten dimensions of service quality
5	1988 Parsuraman et al.	Refined their previous work and explored five dimensions of quality: reliability; responsiveness; empathy; assurance; empathy
6	1990 Gronroos	Explored six dimensions of service quality
7	1991 Parsuraman et al.	Refined five dimensions of service quality and devised the final version of SERVQUAL (replicate in three service industries . banking, telephone repairing and insurance)
8	1992 Cronin and Taylor	Developed SERVPERF to compare with SERVQUAL
9	1994 Avkiran	Developed four factor scale that consists of seventeen items to measure Service quality
10	1995 Johnston	Identified eighteen dimensions of service quality.
11	2000 Oppewal and Vriens	Explored twenty eight attributes to measure service quality
12	2000 Bahia and Nantel	Developed six dimensions of service quality contained thirty one items
13	2002 Sureshchander et al.	Developed five dimensions of service quality that consists of forty one item scale
14	2005 Malhotra et al.	Used 10 dimensions to measure service quality

of conflicts and efficient delivery of services resulted into satisfied customers for long-term benefits (Nelson and Chan, 2005). It is reported that empathy is least preferred dimension of service quality by the customers of commercial banks in Malaysia (Tahir and Abubakar, 2007).

Gounaris et al. (2003) explored the service quality in Greek banking industry and found a varied influence of each dimension of service quality on customer satisfaction. It is reported that service quality is important for differentiation to compete in the market and retain the customers for long-term benefits (Curry and Penman, 2004). Service quality has positive influence on financial performance (Duncan and Elliott, 2004). However, understanding of changing needs and expectations of customers is an essential prerequisite for the financial sector (Joseph et al., 2005). Customers' perception of service quality in developing countries like India and Philippines were significantly different from the perception of bank customers in developed countries like USA (Malhotra et al., 2005). A comparison between Islamic and conventional banks reflects that four dimensions: Personal skills, reliability, values, and image were significant in conventional banks. While two dimensions of service quality, that is, values and personal skills are significant in case of Islamic banks (Jabnoun and Khalifa, 2005). It is reported that provision of better quality services could result into satisfied customers (Gao et al., 2006).

Glavell et al. (2006) conducted an empirical analysis of

bank customers from five Balkan countries and found a significant difference in the customers' perceptions of service quality in different countries. Greek customers have highest perceptions towards service quality. Service quality could be ensured by implementation of total quality management techniques in the banking sector (Al-Marri et al., 2007). It is evident that political, technological, environmental and socioeconomic factors influence the service quality perceptions of customers. It is reported that Greece customers have higher levels of service quality perceptions as compared to Bulgarian customers (Petridou et al., 2007). Similarly, it is found that dimensions of service quality have a strong positive impact on bank performance (Akroush, 2008).

Boyd et al. (1994) investigated the bank selection criteria on the basis of demographic characteristics and found a significant difference between service quality perception of white collar customers and low income customers. It is reported that gender roles and responsibilities are shaped due to specific cultural, social and religious factors. In Muslim countries male is responsible for financial activities outside the home while female performs domestic activities inside the home (Obbe, 1980; Kinsey, 1988; Ogenyi, 1997; Iheduru, 2002). Due to these factors men have more access to banking, education and insurance facilities as compared to women (Ajakaiye and Olomola, 2003).

Ayadi (1996) concluded that female bank customers are engaged in lesser banking activities than male customers due to lower income. It is reported that customers'

perception of service quality is very important to compete in the market (Hoffman and Bateson, 2002). Customers' perception of service quality is strongly dependent on customers' values and beliefs that vary from one culture to another (Furer et al., 2002). It is found that gender affects the service quality perception of bank customers and they show a varied response towards different dimensions of service quality (Spathis, 2004). Similarly, a varied pattern of customer satisfaction and behavioral outcomes is observed among male and female bank customers (Yavas et al., 1997). In another study, findings showed that there is difference in choice factors by male and female bank customers in selection of their respective bank (Omar, 2008). On the basis of existing literature this study examines the perception of bank customers regarding service quality offered by Islamic banks and conventional banks, we test the following hypotheses:

H1: There is difference in perception of bank customers regarding dimensions of service quality offered by Islamic banks and conventional banks in Pakistan.

H2: There is difference in the perception of service quality among bank customers on the basis of gender in Pakistan.

## METHOD OF THE STUDY

This study examines the perception of service quality of products offered by Islamic and conventional banks in Pakistan. The population of the study consists of the customers of Islamic banks and conventional banks operating in Pakistan. A sample of 720 respondents is selected for this study by using stratified random sampling. The stratification has been done based on the nature of bank, that is, Islamic bank or conventional bank. From each group of bank, customers were selected randomly to assess their responses. A structured questionnaire was developed to record the responses of customers of Islamic and conventional banks operating in Pakistan. From each group of bank (Islamic bank or conventional bank), customers were selected randomly to collect data by self-administrated questionnaires. The study also adopted "personal contact" approach, that is, respondents were approached personally. The researcher explained the questionnaire and the objective of survey by telling its purpose, the meaning of the items and what is expected from the respondents. Banks selected for this study are listed in Table 2.

The data were collected from the respondents residing in 10 big cities of Pakistan, that is, Islamabad, Rawalpindi, Lahore, Karachi, Gujranwala, Sargodha, Multan, Sialkot, Gujrat, and Faisalabad. Customers were asked to give their responses regarding their banker by considering different aspects of service quality. Customers' responses regarding service quality are collected by a modified version of SERVQUAL model developed by Parasuraman et al. (1988, 1991a, b). It contains 22 items and divided into five dimensions, that is, tangibility, reliability, responsiveness, assurance and empathy. Each items is assessed by a seven point Likert scale as it stands for 1 = strongly disagree to 7 = strongly agree. A total of 1000 questionnaires were distributed among respondents to gather their responses. There were 720 completed and useable questionnaires available for data analysis. The response rate is 72% that is reasonable to perform statistical analysis by using SPSS 15.0 version. The internal consistency and

reliability of the variables/constructs of the study are presented in Table 3.

## RESULTS AND DISCUSSION

Descriptive statistics are used to have a snapshot of demographic characteristics of the respondents and T-test is used to examine the difference in perception of customers about service quality in Pakistan. On other hand, perception of bank customer is measured by using descriptive statistics, that is, sum, mean and standard deviation of responses. Demographics of the respondents reflect that male customers are greater than female customers. In case of IB 79% are male customers and 21% of the sample is represented by female customers. While the CB reflects that 77% respondent are male and 23% are female. Male customers are more inclined towards IB as compared to CB but female customers prefer CB as compared to IB. It is consistent with the literature as men and women are differentiated due to role and perception in the society (Woldie and Adersua, 2004). Social, cultural and religious factors also influence the banking activities. Men are responsible for financial activities outside the home while female performs domestic duties inside the home (Obbe, 1980). The distribution of customers according to age reflects that young and mature people (25 - 34) are more interested to interact with IB while young people (18 - 24 years) are inclined towards CB. It is found that the majority of primary bank customers are male between 20 - 55 years old in Nigeria (Ojo, 1994). While most of the customers of Islamic banks fall in the age group of 25 -35 years (Khan et al., 2008). A comparative analysis of service quality perception of IB and CB customers is given in Table 4.

Table 4 reflects the descriptive statistics for the service quality and its dimensions. The results shows that service quality score offered by Islamic banks are greater as compared to conventional banks. Similarly, the customer's perception regarding service quality dimensions is evident from the results. Customers of Islamic banks have greater scores of service quality perception as compared to conventional banks. Perception scores of Islamic banks are more (as shown by mean and sum) in the existence of lesser dispersion. On the other hand, perception scores about service quality regarding customers of conventional banks are lower with more deviation.

Table 5 shows the results for customers' perception of service quality offered by Islamic banks in Pakistan. Levene's statistic (1.506) for equality of variances is not significant ( $p = 0.221$ ). So, equal variances are assumed. The t-statistic for equality of means is 3.656 and highly significant as p-value is 0.000 (2-tailed). There is a significant difference in the perception of male and female customers about service quality of Islamic banks in Pakistan that supported the hypothesis.

**Table 2.** Banks selected for the study.

<b>Islamic Banks</b>	<b>Conventional Banks</b>
Meezan Islamic Bank	National Bank of Pakistan
Dubai Islamic Bank Limited	Habib Bank Limited Pakistan
Albaraka Islamic Bank Limited	MCB Bank Limited
Bank Islami Pakistan Limited	United Bank Limited
First Dawood Islamic Bank Limited	Askari Bank Limited
Qatar Islamic Bank Limited	Bank Alfalah Limited

**Table 3.** Reliability statistics of the scales for IB.

<b>Constructs/Variables of the study constructs/variables of the study</b>	<b>No. of Items</b>	<b>Cronbach's Alpha</b>		<b>Guttman Split-Half</b>	
		<b>IB*</b>	<b>CB**</b>	<b>IB</b>	<b>CB</b>
IB Service Quality	22	0.944	0.940	0.921	0.885
IB Tangibility	4	0.841	0.830	0.834	0.821
IB Reliability	5	0.809	0.831	0.774	0.775
IB Responsiveness	4	0.784	0.774	0.744	0.728
IB Assurance	4	0.741	0.752	0.705	0.707
IB Empathy	5	0.820	0.826	0.777	0.738

\*IB-Islamic Bank.

\*\*CB-Conventional Bank.

**Table 4.** Comparison of service quality dimensions of Islamic Bank and Conventional Bank.

	<b>Minimum</b>	<b>Maximum</b>	<b>Sum</b>	<b>Mean</b>	<b>Std. deviation</b>
IB Tangible	1.50	7.00	1893.50	5.2597	1.14142
IB Reliability	1.40	7.00	1850.60	5.1406	0.99487
IB Responsiveness	1.75	7.00	1861.75	5.1715	1.03150
IB Assurance	1.75	7.00	1915.00	5.3194	0.94543
IB Empathy	1.80	7.00	1857.00	5.1583	1.04671
IB Service Quality	2.42	6.72	1875.57	5.2099	0.89718
CB Tangibles	1.25	7.00	1794.75	4.9854	1.19261
CB Reliability	1.20	7.00	1798.80	4.9967	1.04163
CB Responsiveness	1.25	7.00	1762.50	4.89958	1.09915
CB Assurance	1.50	7.00	1816.75	5.0465	1.02854
CB Empathy	1.00	6.80	1752.40	4.8678	1.07505
CB Service Quality	1.65	6.54	1785.04	4.9584	0.93404

**Table 5.** Results of Independent samples t-test for difference in the perception of IB customers about service quality on the basis of gender.

<b>Gender</b>	<b>N</b>	<b>M</b>	<b>Std. dev</b>	<b>Levene's test for empathy of variances</b>		<b>T-test for equality of mean</b>		
				<b>F</b>	<b>Sig</b>	<b>t</b>	<b>df</b>	<b>Sig (2-tailed)</b>
Male	284	5.29	0.86	1.506	0.221	3.656	358	0.000
Female	76	4.88	0.95					

**Table 6.** Results of Independent samples t-test for difference in the perception of customers of CB about service quality on the basis of gender.

Gender	N	M	Std. dev	Levene's test for equality of variances		T-test for equality of mean		
				F	Sig	t	df	Sig (2-tailed)
Male	277	4.96	0.94	0.007	0.934	0.009	358	0.992
Female	83	4.96	0.91					

Table 6 reflects the results of Independent Sample t-test for customers' perception of service quality offered by conventional banks. Levene's statistic (0.007) for equality of variance is not significant ( $p= 0.934$ ). So, equal variances are assumed. The t-statistic for equality of the mean is 0.009 and not significant as p-value is 0.992 (2-tailed). There is no significant difference in the perception service quality among male and female customers of conventional banks. Hoffman and Bateson (2002) reported that perception of service quality is very important for researchers and managers to compete in the market. Customers' Perception of service quality strongly depends on customer's values and beliefs that may vary from one culture to another (Furer et al., 2002).

Similarly, it is reported that there is significant difference in customers' perception of service quality in different countries (Glavell et al., 2006).

Results are consistent and contrary to the hypothesis but both are supported by literature. Results show that there is significant difference in the service quality perception of male customers of IB from the perception of female customers. It is in line with previous studies as customers' perception of service quality differs in terms of demographic characteristics (gender, ethnicity, education and income) of the respondents (Urban and Pratt, 2000). On the other hand, results show that there is no difference in the perception of male and female customers about the service quality offered by CB. It is consistent with the literature as reported that life style and demographic characteristics are important indicators regarding products/services in retail banking (Galloway and Blanchard, 1996; Yavas et al., 2004). The results show that male customers are greater than female customers that were using products/services of selected banks working in Pakistan. It is consistent with literature as men and women customers using bank products/services could be differentiated due to social, cultural, and religious factors and it is evident that male customers perform more banking activities than female customers (Obbe, 1980; Alsop, 1984; Woldie and Adersua, 2004). Similarly, the most of the customers fall in the age group of 25 - 34 years in case of IB and 18 - 24 years in case of CB. It is in line with literature, it is reported that most of the bank customers dealing with Islamic banks fall in the group of 25 - 35 years besides

education level and income group (Khan et al., 2008).

Hoffman and Bateson (2002) reported that perception of service quality is very important for researchers and managers to compete in the market. Customers' Perception of service quality strongly depends on customer's values and beliefs that may vary from one culture to another (Furer et al., 2002). Results show that the service quality perception of bank customers is different among customers of Islamic and conventional banks. Findings reveal that service quality perception of male customers is significantly different from the perception of female customers in case of IB. It is found that customer's demographic features play an important role towards banking experiences (Khan et al., 2008). Similarly, it is reported that there is significant difference in customers' perception of service quality in different countries (Glavell et al., 2006). However, customers' perception of service quality differs in terms of demographic characteristics (gender, ethnicity, education and income) of the respondents (Urban and Pratt, 2000). On the other hand, results show that there is no difference in the perception of male and female customers about the service quality offered by CB. It is consistent with the literature as reported that life style and demographic characteristics are important indicators regarding products/services in retail banking (Galloway and Blanchard, 1996; Yavas et al., 2004). Similarly, it is concluded that there is no difference in the choice regarding bank products/services between male and female customers (Omar, 2008).

## SUMMARY AND CONCLUDING REMARKS

This study examines the service quality perception of bank customers in the existence of two banking systems, that is, Islamic and conventional banking systems. Islamic banks are getting popularity due to interest free products, risk sharing activities and strong ties with the religion. The existence of Islamic and conventional banks in Pakistan created stiff competition among banks to attract and retain greater number of customers by the provision of quality services. The emergence of Islamic banking practices necessitated the comparison of service quality perceptions of bank customers between Islamic

and conventional banks. Data were drawn from 720 respondents by stratified random sampling residing in major cities of Pakistan. It is concluded that customers of Islamic banks have greater perception towards service quality than the customers of conventional banks. The results showed that there is significant difference in the perception of male and female customers of Islamic banks while there is no difference in the service quality perception among customers of conventional bank on the basis of gender. Bankers can attract more customers by launching effective marketing campaigns to enhance awareness towards quality of their services. Bank managers should take quality initiatives to improve their products by considering demographic characteristics of the customers. It provides a guideline to Islamic banks for provision of marketable products to meet expectations of male and female customers according to their specific requirements. Bankers are required to develop an effective strategy to attract the female customers by meeting their specific needs. This research is useful for Islamic banks because they make heavy investments to attract larger customers for better profitability but these efforts are useless until and unless proper customer management. So Islamic bank should enhance awareness regarding its products (services) to compete with conventional bank for long term benefits and they should introduce new products/services according to Shariah principles. This study enables policy makers and bankers to make effective and quality oriented arrangements to have satisfied and delighted customers for long term benefits. It inspires the academicians to conduct research in the banking sector for beautiful blending of theory and practice to analyze the quality of services for increased satisfaction among bank customers.

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