

## **Conceptualizing the Impact of Religiosity on the Preferences for Islamic Banking in Mirpur (Azad Jammu and Kashmir): An Empirical Analysis**

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### **Abstract**

*Over the years, Islamic banking has emerged as a viable alternative to conventional banking, especially after the global financial crises of 2008. Despite the fact that the existing literature emphasizes on this significant shift in customers' preferences in favor of Islamic banking, there are only a few studies that investigate the actual motives behind this shift. Hence, the key objective of this study is to identify the different factors that explain consumer preferences regarding Islamic banking services, specifically in Mirpur. Even more specifically, this study explores the role of religiosity in influencing consumers' choice of Islamic banking in Mirpur. To test whether or not religiosity affects consumer preference for Islamic banking, the logistic regression technique has been used for the data analysis. The overall results reveal that besides the conventional variables, the religiosity level of customers, Shariah compliance of an Islamic bank, and knowledge of the respondent about prohibition of interest (Riba) in Islam have positive, and significant effects on consumers' selection of Islamic banks. Based on these empirical findings, this study suggests that along with improving delivery and quality of services, Islamic banks should emphasize on Shariah compliance which provides a sustainable competitive advantage for Islamic banks over conventional banks.*

**Keywords:** Islamic Banking, Religiosity, Customers' Preferences, Azad Jammu and Kashmir and Conventional Banking.

**JEL Classification:** D12, P4, G2,

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## 1. Introduction

Financial intermediaries play a crucial role in the growth and development of a country (King & Levene, 1993). Due to the ever growing industrial and commercial activities worldwide, the banking sector has gained importance as an essential facility to promote business operations (Levine, 1997). In the earliest stages of its establishment, the Islamic society was able to effectively mobilize resources, and finance its productive activities without having any involvement of interest (Riba). This system worked efficiently for many centuries after the dawn of Islam (Abedifar, Ebrahim, Molyneux & Tarazi, 2015). Mudharabah, Musharakah and Qarzi-Hasna were considered to be the main, and most important modes of finance for commercial activities, as well as the industry in the Mediterranean region, during twelfth and thirteenth centuries (Abedifar et al., 2015; Goitein, 1971). However, the Protestant Reformation in the fifteen century provided a stimulus to intellectual growth, which resulted in the industrial revolution in Europe. This, in turn, resulted in the emergence of western financial intermediaries, and the financial system based on Islamic traditions become dormant (Abedifar et al., 2015; Hillebrand, 2009; Molyneux & Iqbal, 2005). However, after gaining independence from the colonial rule, many Muslim countries started re-establishing the Islamic banking system, along with the conventional banking system (Iqbal & Molyneux, 2005).

Over the last fifty years, there has been a growing demand for the Islamic financial system from the Muslim, as well as the non-Muslim countries, all over the world<sup>1</sup>. The global financial crises provided further impetus to the Islamic banking system, and has ultimately induced the demand for an alternative banking and finance system (Khan, 2010). The interest free banking system has been introduced in some conventional banks as well. Yet, the financial institutions that specialize in Islamic banking have witnessed the fastest growth rate over the last couple of years (Aregbeyen, 2011). Although Islamic banking is based on the Islamic religious law, it is not considered to be a religious bank that is restricted exclusively to Muslims. People of any religion or faith can bank with an Islamic bank. Its products and services are universally accessible to individuals of all races and faith, who wish to conduct, or pursue financial

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<sup>1</sup> Islamic banks, like their conventional peers, are financial intermediaries, trustees and custodians of people's money or financial assets. Islamic banking is primarily market driven, but with ethical and moral dimensions that are based on Islamic Sharia. Hence, it prohibits the receipt and payment of interest, and advocates participatory banking on profit and loss sharing (Imam & Kpodar, 2013; Khan & Mirakhor, 1990; Shahid, Mehmood, Ahmad, Ahmad & Shafique, 2015).

transactions that are devoid of interest, and that are in harmony with the principles of the Islamic *Sharia'h* law (Chapra, 1985; Osman, Ali, Zainuddin, Rashid & Jusoff, 2009). The Islamic banking system has grown enormously over the last four decades. It attracts Muslim, and non-Muslim customers equally, and is spread all over the global landscape as a viable alternate to the conventional banking system (Iqbal & Molyneux, 2005; Osman et al., 2009). Due to its assets backing nature and risk sharing principles, the global Islamic finance industry has experienced enormous growth and stands at a staggering amount of two trillion US dollars mark (State Bank, 2016).

The Islamic banking industry is also growing at a considerable rate in Pakistan. It has witnessed a process of significant progress, especially after the year 2002, when the State Bank of Pakistan re-launched it with a new, and more reassured vision. Presently, the Islamic banking system consists of an 11.4 percent share of total assets, and a 13.2 percent share of deposits of the total banking activity in Pakistan (State Bank, 2016). According to statistics provided by the State Bank (2018), "the network of Islamic banking industry consisted of 21 Islamic banking institutions; 5 full-fledged Islamic banks and 16 conventional banks having standalone Islamic banking branches by end of March, 2018". The State Bank of Pakistan plays a pivotal role in the growth and development of Islamic banking in Pakistan. With the advent of the Islamic banking system in Pakistan, new opportunities and banking options are now available for the consumers, in case they decide to choose between an Islamic bank or a conventional bank. This opportunity permit the consumers to rank the different types of banks, according to the level of satisfaction they give to their consumers (Rehman & Shabbir, 2010). Initially, the consumers' preferences toward Islamic Banks were slow, and marked with skepticism. But, with passage of time, the level of trust and dependency on the Islamic way of banking is increasing, and is continuing to grow rapidly (Zakaria, Kader, Razali & Abdullah, 2014). Understanding the factors that shape the customers' preferences is imperative for an Islamic bank, in order for it to work efficiently, and be successful in such a competitive environment<sup>2</sup>.

Consumer preferences allow a consumer to rank different bundles of goods or services, according to their levels of utility, or their total satisfaction of consuming a good or service. Satisfaction does not depend

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<sup>2</sup> Preference refers to the set of assumptions related to ordering some alternatives, based on the degree of gratification, happiness, satisfaction, enjoyment, or utility they provide, a process which results in an optimal 'choice'.

upon the product or service itself, rather it depends on the customer's perception. Many factors contribute towards the emergence, acceptance, and adoption of Islamic Banks in a secular society. According to Chapra (1985), there have been given, clear guidelines about what is *halal* (permitted) and *haram* (prohibited) in Islam. Islam promotes brotherhood, social equality and fairness in all economic activities, for the wellbeing of the mankind. Some studies argue that the *Shariah* compliance attribute is the highest priority for consumers when they choose the Islamic banking system (Abduh, Kassim & Dahari, 2012). Devlin and Gerrard (2004) evaluated that the majority of consumers choose Islamic banking because of their religious motives and incentive. In the religious incentives, interest free loans, Islamic teachings, *shariah* compliance, knowledge of Islam, and religious environment are the main factors which motivate consumers towards Islamic banking (Khan, 2014; Reni, 2013 ). The Holy Quran states that "*O believers, fear God, and give up the riba that remains outstanding if you are believers*" (Qur'an, 2: 278). The main principles of Islamic banking activities comprise of the prohibition of interest (*riba*), or usury, in all forms of banking transactions, undertaking business and trade activities on the basis of fair and legitimate profit, giving *zakat* (alms tax), and development of all *halal* aspects of business, that are not prohibited by Islam. Unlike the conventional banking system, the Islamic banking system prohibits usury, the collection and payment of interest, and it promotes profit-sharing in all conduct of the banking businesses (Doraisamy, Shanmugam & Raman, 2011; Haron & Shanmugam, 1997).

The existing literature explores the conventional determinants for selecting the Islamic banking system. These determinants include low service charges, accessibility to bank branches, service quality, banks' overall reputation, and recommendations from family and friends (Awan & Azhar, 2014; Tara, Irshad, Khan, Yamin, & Rizwan, 2014; Zulfiqar, Arshad, Fareed, Shahzad & Hussain, 2014). This study used the Divine Economics approach, which argues that individuals having a belief in an afterlife, make their current life choices of commodities and services in accordance with their respective faith patterns (Hamdani, Ahmad, Khalid & Tahir, 2004). Our study contributes to the existing literature in different ways. First, we construct a composite index of religiosity, based on different dimensions of the religion, using the Divine Economic Survey (2016). Second, we also construct an index of the Islamic Bank's reputation, using different aspects of the *Shariah* compliance law. Third, we use the knowledge of respondents about prohibition of interest (*Riba*) in Islam. According to the best of our knowledge, there are seldom studies that

explore the relationship between the customers' preferences for Islamic Bank, and the faith based variables. Hence, the key objective of this study is to identify the factors that explain consumer preferences when it comes to the Islamic banking services in Mirpur, Azad Jammu and Kashmir. Moreover, this study also investigates the impact of religiosity on consumer preferences, regarding the Islamic banking services in Mirpur, Azad Jammu and Kashmir.

The rest of the study is organized as follows. Section 2 reviews the relevant literature, and discusses the motivation behind this study. Section 3 explains the theoretical background, model specification and data collection. Section 4 presents the empirical findings, and Section 5 concludes the study.

## **2. Review of Relevant Literature**

There is growing literature that proves the resilience of the Islamic financial system during the global financial crises (Abedifar, Molyneux, & Tarazi, 2013; Čihák & Hesse, 2010; Hasan & Dridi, 2011). In Malaysia, the average annual growth of deposits that were held by the Islamic banks, was 32 percent over the period of 2007 to 2012. While, the share of conventional banks decreased from 92.5 percent, to 80.4 percent (Ariff, 2014). As widely believed and witnessed, risk and returns are the primary factors that govern the customers' preferences. However, many studies argued that along with the risk and return, many other factors govern the customers' preference when it comes to the choice of banking (Beal, Goyen, & Philips, 2005; Fama & French, 2007; Fisher & Statman, 1997).

For instance, customer satisfaction is the most critical concern for Islamic banking, as it is believed that if the customers are satisfied, it leads to more demand for the products that Islamic banking has to offer (Awan & Azhar, 2014). Many studies have found that a bank's location significantly affect the consumer's choice of banking (Amin, 2013; Marimuthu, Jing, Gie, Mun, & Ping, 2010; Ramadan, 2013; Rehman & Shabbir, 2010; Siddique, 2012; Zulfiqar et al., 2014). Some studies reported that a convenient location of a bank is an important determinant of the consumers' preferences when the choice of bank is in question (Holstius & Kaynak, 1995; Kaynak & Kucukemiroglu, 1992; Mokhlis, Mat, & Salleh, 2008). The quality of services provided by the bank, the bank's name and reputation, are strong points of consideration for the choice of a bank (Abduh & Omer, 2012; Haque, Osman, & Ismail, 2009; Msewli & Naudi, 2015; Ramadan, 2013; Tara et al., 2014). The basic knowledge of the

principles of Islam is a factor that is deemed to have a positive relationship with consumer preference for Islamic banking. When people have more knowledge of the Islamic ideology, they are more likely to prefer Islamic banking, because Islam prohibits interest (*riba*) on loans. It has been observed that Muslims tend to make deposits in Islamic financial institutions, mostly due to religious reasons (Chapra, 1992). Islamic Banking is dissimilar to the conventional banking system, mostly because

Islamic banking prohibits usury, collection and payment of *riba*, promotes profit and loss sharing, and zakat for the benefit of the society, and development of all halal features of any business. Awareness regarding the financial teachings of Islam has a positive impact on the consumers' choice for selecting a bank (Awan & Azhar, 2014; Hassan, Chachi, & Abul-Lattif, 2008; Tara et al., 2014). The quality of services, such as online banking, convenient ATM locations, and speedy service have been found significant in some earlier studies conducted to determine the motives behind a particular choice of bank (Frangos, Fragkos, Sotiropoulos, Manolopoulos, & Valvi, 2012; Saleh, Rosman, & Nani, 2013; Zulfiqar et al., 2014). The concept of religiosity has been extensively debated in the behavioral and experimental economics perspective. Many studies found a significant relationship between religiosity and economic behavior (Ahmed, 2009; Ruffle & Sosis, 2007). The relationship between religion, and customers' preferences for Islamic banking is also well documented in literature. Religion is the main factor that shapes the consumer preference for the Islamic banking system. Religion is also an influencing factor in the adoption of the Islamic banking system (Othman & Owen, 2001; Rahim & Junos, 2012; Tessler, 2010; Waemusor, 2010). A review of the existing literature suggests that there is hardly any study which has made an in depth analysis of the relationship between customers' preferences for Islamic Banks, and faith base variables. These variables include the level of religiosity, level of the Islamic bank's reputation based on Shariah compliance, and knowledge of the respondents about prohibition of interest (*riba*) in Islam. Hence, the key objective of this study is to identify the factors that explain the consumer preferences regarding the Islamic banking services. Moreover, this study also investigates the impact of faith based variables on consumer preferences for the Islamic banking services.

### 3. Theoretical Background and Model Specification

In line of the researches of Innaccone (1998), Hamdani et al. (2002) and Hamdani et al. (2004), this study incorporates the religious beliefs, and

the religiosity levels of individuals in the modeling behavior of an individual, who perceives and believes in afterlife. According to this framework, the life cycle consists of two phases; life on earth, and life in the hereafter. When such perception holds, it becomes plausible to assume that utility is also the sum of two further types of utilities. These include the utility of current actions in the current period, and the expected utility of current actions in the future. Under the Islamic faith, a follower needs to maximize his utility in this life, and life after death in the light of the Islamic code of conduct in consumption, production, exchange, etc. Hence, due to religious obligations, a rational consumer will prefer to maximize his utility only from halal sources of income, because of the perceptions that have been formed by him due to his faith. A consumer who wants to make the most of his spiritual belief and life will prefer to spend his life in this world under the umbrella of the Islamic laws that have been defined for him. Thus, it is expected that a more religious individual would prefer a banking system which offers products and services in accordance with Islamic *shariah* law, while a less religious individual may feel comfortable in selecting the conventional or Islamic banking system, depending on their relative advantages in the current life. These individuals may switch over to Islamic products and services if their incentives are higher than those offered in the conventional banking system. Moreover, they may also switch from Islamic banking to conventional banking, if conventional banks provide better incentives to them. The theoretical background helps us formulate an empirical model that may be estimated for analyzing the direction and magnitude of determinants of the banking system. To uncover various determinants of consumer preferences for Islamic banking, the empirical model takes the following form:

$$CP = \beta_0 + \beta_1 D + \beta_2 BRI + \beta_3 SQ + \beta_4 Inc + \beta_5 Y + \beta_6 REL + \beta_7 K + \beta_7 Ed + \varepsilon_i \quad \text{Eq. 1}$$

Where  $CP$  is consumers' preferences for Islamic Banking,  $D$  is the accessibility to the bank's branch,  $BRI$  is the bank's overall reputation and image,  $SQ$  is the service quality provided by the Islamic Bank,  $I$  is the incentives provided by bank,  $Y$  is the income in rupees per month,  $K$  is the knowledge of respondent about Islam,  $REL$  is the religiosity of respondent, and  $\varepsilon_i$  is the random error term. The description and construction of variables is provided in Table A1.

### 3.1 Data

Primary data is used for both descriptive and empirical analysis of the study. In this association, the data was collected using an extended

version of the Divine Economics Survey (2016), after adding a new section related to Islamic banking. The Divine Economic Survey Series started in the year 2000. The survey covers a variety of aspects relating to the economy, religiosity and other dimensions of human behavior. Before conducting the final survey, a pilot testing of 30 questionnaires, on the basis of random sampling is done. The basic aim of conducting this exercise is to check issues in the questionnaire, specifically related to language, understanding, time and data variation etc. After pilot testing, all these problems were identified and duly fixed.

The data set of 186 bank customers has been selected from district Mirpur (Azad Jammu and Kashmir) through the convenient sampling technique. Convenient sampling is a type of non-probability sampling. For empirical analysis, the Logit technique has been used because the dependent variable is a dummy variable, where a value of one represents the act of selecting Islamic banking, and a value of zero represents the act of selecting conventional banking.

## 4. Results and Discussion

### 4.1. Descriptive Analysis

For the purpose of this research, descriptive statistics are used to describe the basic characteristics of the study sample. The summary of the descriptive statistics of the variables under consideration is given in the following table.

**Table 1: Descriptive Statistics**

Variables	Observations	Minimum	Maximum	Mean	Standard Deviation
Age	186	20	60	33.01	8.853
General Education (in years)	186	5	18	14.46	2.336
Income	186	7000	300000	39892.2	33002.454
Distance from home to Islamic bank (in km)	186	1	45	6.79	9.111
Valid N (listwise)	186				

The summary of statistics shows the sample characteristics. The data was collected from 186 consumers of banking products and services. The majority of the respondents were found to be aware of the Islamic banking system in their area by either using their products and services or,

at least, by having heard about such products and services. The summary of statistics shows that the lower value of standard deviation means that the data points are closer to their mean values. This indicates that our variables are free from the problem of high dispersion. For instance, the age variable has not experienced high dispersion, and also has a lower standard deviation. Similarly, the data points for income and general education are also less dispersed from mean, which shows that there is less dispersion of the data points from the mean. The age of respondents in the sample ranges between 20 to 60 years.

There are 131 male respondents, while 55 of the respondents contacted for the purpose of this study are female. This bias is due to the fact that in Azad Jammu and Kashmir, the ratio of a male operating a bank account is very high, as compared to a female, though the exact data on the male to female ratio is not available.

The table shows that the sample includes respondents who have an education level ranging between the grade levels 5 till the 18<sup>th</sup>. The mean value of the level education in this study sample is 14 years, i.e. a bachelor's degree. The average national level of education is grade level 10<sup>th</sup>.<sup>3</sup> The average level of education of the sample population used in this study is higher than the national education level in Pakistan. This is mostly due to the fact that the sample data only includes bank customers in Mirpur city.

When taking the monthly income into consideration, the respondents of this study were earning an income of more than Rs.7000-300,000 per month. However, a large group of respondents reported that they earn less than 40,000 Rupees per month. The average income in Azad Jammu and Kashmir was calculated to be 11856 Rupees per month<sup>4</sup>. It must be noted that the average level of income in this study is higher than the national average income. This may be due to the sample selection bias mentioned above, or due to the fact that people in Mirpur city enjoy a higher income and living standard because of their migration to UK and other countries.

The distance from respondent's home to the Islamic bank branch ranges between 1 to 45 kilometers. The average distance is calculated to be 6 kilometers approximately.

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<sup>3</sup> Federal Ministry of Education, literacy 2015

<sup>4</sup> Azad Jammu & Kashmir, at a Glance 2013 by Planning & Development Department Muzaffarabad

## 4.2. Empirical Findings

As mentioned in section 4.1, the impact of religiosity on consumer preferences for Islamic banking has been analyzed by employing the Logit model, as an estimation technique. Table 2 reports the empirical findings of the study. Moreover, column one shows the list of variables used in this study. In column two and three, the coefficients and odd ratios are shown. Column four presents the p-value of all the variables.

**Table 2: Empirical Findings**

Dependent Variable: Choice of Bank			
Variables	Coefficient	Odd ratio	P>  z
Religiosity index	0.6124242	1.844898	0.024
Log income	0.6388213	1.5279143	0.081
Reputation and image	0.7620761	1.7666965	0.026
Distance	0.6245261	1.8673612	0.019
Consumer knowledge about Interest in Islam	0.6024542	1.826596	0.03
Incentive	-0.2320893	.7928753	0.33
Service quality	0.6532622	1.9218	0.07
General education	0.6005598	1.8182726	0.023
Constant	1.658178		
Chi square	77.91	69.00	79.51
p-value	0.00		
N	186		
R <sup>2</sup>	0.31	0.27	0.31

The results in table 2 reveal that the consumers' level of religiosity has come out to be statistically significant, and comes with the expected signs of positivity. Keeping in view the Islamic principles, it was, a priori, assumed and expected that more religious people show more inclinations towards Islamic banking considering that *riba* is prohibited in Islam. The religiosity index is statistically significant with an expected positive sign. The odd ratio of religiosity came out to be 1.8448, which shows that if religiosity increases by one unit, the chance of selecting Islamic banking increases by 84%. This proved the hypothesis that religiosity significantly affects consumers' preferences for Islamic banking. In Mirpur city, the consciousness of Islamic principles especially, interest free banking is a source of satisfaction for consumers. The results are in line with the existing empirical literature (Othman & Owen, 2001). The variable in the results that

is labeled as income (consumer's monthly income), is statistically significant with an expected positive sign. The odd ratio of income is 1.5279, which shows that if income increases by one unit, the chance of choosing Islamic banking is 52%.

The variable in the regression results which is labeled as REP (Reputation and image of the bank), is statistically significant with an expected positive sign. The odd ratio of reputation is 1.7666, which shows that if the reputation increases by one unit, the odds of selecting Islamic banking will increase by 76%. Customers are mostly influenced and positively skewed towards those banks which enjoy a good reputation and image. In Mirpur city, it is observed that most people select Islamic banks because of the reputation and image the bank carries in terms of its adherence to Shariah compliance. Islamic banks create a positive reputation when their customers are completely confident that their operations are conducted according to Sharia laws. Hence, our results are also consistent with the previous studies (Abduh & Omer, 2012; Msewli & Naudi, 2015; Ramadan, 2013; Tara et al., 2014). The variable of distance is also statistically significant, and reflects that there is a positive association between the distance, and the selection of an Islamic bank. Another important factor that is considered in this study is the consumers' knowledge about Islam. This variable is statistically significant with an expected positive sign. As people gain more knowledge about Islam, they are more likely to prefer Islamic banking simply due to the fact that Islam prohibits interest (*riba*) on loans. The odd ratio of the consumers' knowledge about interest in Islam is 1.8265, which shows that if consumers' knowledge about Islam increases by one unit, the odds of selecting Islamic banking increases by 82%. This shows that consumers with more knowledge of Islam realize that there is a clear difference between prohibited and permissible things according to Islamic laws, and hence prefer the Islamic banking system. It is observed that people who have more knowledge about the concept of interest in Islam, prefer the Islamic banking system. Many earlier studies document similar findings (Awan & Azhar, 2014; Marimuthu et al., 2010)

The variable of incentives is statistically insignificant, with an expected positive sign. There may be different reasons for this unexpected result. For example, incentives do not always attract consumers in case of Islamic banking, due to the other motivations that have been discussed already. Another possible reason may be that Islamic banks offer high profit rates, which might lead the consumers to suspect that these are probable tactics that are usually practiced by conventional banks.

The variable labeled as SQ (service quality) is statistically significant with an expected positive sign. The odd ratio of service quality is 1.9218, which shows that if service quality increases by one unit, the odds of selecting Islamic banking increases by 92%. This shows a positive relationship between service quality and customers' selection of an Islamic bank. This result is also consistent with the existing empirical literature (Frangos et al., 2012; Saleh et al., 2013; Zulfiqar et al., 2014). Moreover, the variable of general education is also statistically significant, with an expected positive sign. This result substantiates that general education also increases the sensitivity of customers toward interest (*Riba*), which is prohibited in Islam.

## 5. Conclusions

Islamic banking is a rapidly growing phenomenon in Pakistan including Azad Jammu & Kashmir. The main objective of the study was to identify the factors that explain customers' preferences when it comes to the banking services in Mirpur, Azad Jammu & Kashmir. The study also investigates the impact of religiosity, on customers' preferences for Islamic banking services. The findings of the study reveal that some conventional factors, such as income, location, service quality, and the general education of respondents are positively associated with customers' preferences for Islamic Banking in Mirpur. Interestingly, the results of study show that faith based variables, such as the religiosity level of the respondents, reputation and image of an Islamic bank for Shariah compliance, and the respondents' knowledge about interest (*Riba*) prohibition in Islam affects the customers' choice of an Islamic bank. These results corroborate the Divine Economics approach, which argues that individuals having a belief in an afterlife, make their current life choices of commodities and services in accordance with their respective faith patterns. These findings have important implications for the Islamic banks, particularly operating in Mirpur. These findings also suggest that along with improving the delivery and quality of services, Islamic banks should emphasize on the Shariah compliance, which provides a competitive advantage for Islamic banks

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## Appendix A

Table A1 Description and Construction of Variables

Variables	Description
Consumer Preferences (CP)	Dummy variable equal to one if respondent choose Islamic Bank
Distance to Bank Branch (D)	Distance of Islamic Bank from respondent's house in kilometers
Bank's Reputation and Image (BRI)	In this study, we develop an index of Islamic bank's reputation using different aspect of bank's Shariah compliance and performance. These aspects are measure on the scale from 1 to 5 (where 1 is lowest that is 'strongly disagree' and 5 is highest value that implies 'strongly agree'). In line with Haq, Khan & Saddique (2015), we use the following formula to construct an index. $(BRI) = \frac{\sum_{i=1}^n(\text{response score on question } i)}{\sum_{i=1}^n(\text{maximum score on question } i)} \times 100$
Service Quality (SQ)	Dummy variable equal to one if service quality such as sufficient number of ATM machines, Online banking services, information brochures of an Islamic Bank is better than conventional bank otherwise zero
Incentives Provided by Bank (I)	Dummy variable equal to one if respondent consider the incentives such as high return and low service charges provided by Islamic banks are better than conventional banks
Income (Y)	Monthly income of respondent in years
Knowledge about interest (riba)	Dummy variable equal to one if respondent consider interest is strictly forbidden in Islam otherwise zero
Religiosity (REL)	We develop and index of religiosity using different indicators from the Divine Economic Survey (2016). In line with Haq et al. (2015), we use the following formula to construct an index. $(BRI) = \frac{\sum_{i=1}^n(\text{response score on question } i)}{\sum_{i=1}^n(\text{maximum score on question } i)} \times 100$
General Education (G_EDU)	Conventional formal education in years