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Behavioral Intentions and Determinants of Consumer Preference for Islamic Banks in Faisalabad

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Abstract

The current study analyzed the Behavioral Intentions and determinants of consumer preferences about Islamic Banking in Faisalabad. The primary data for this study were collected from 230 consumers in 2024 from different Islamic Banks in the Faisalabad region. To estimate consumers' preferences and satisfaction with Islamic banking, the study employs a binary logistic regression model. The variable of consumer preference is the dependent variable and is in binary form. Moreover, awareness of Islamic banking, perceived Sharia compliance, and trust in Islamic institutions are the main independent variables of the study. According to the estimated results, the variables of respondents' education, knowledge about the profit margin on Islamic banks, Awareness about service quality, insurance policy according to Shariah laws, leasing policy according to Shariah laws, deposit policy according to Shariah laws, and bank charges show a positive and significant relationship with consumer preferences. Regarding demographic variables, the age of respondents, urban and rural region, marital status, gender, and religion show a positive but insignificant relationship with consumer preferences. This research provides some suggestions and policy recommendations for concerned policymakers based on customer satisfaction and Knowledge in Islamic banking and Shariah compliance.

Keywords: Behavioral Intentions, Consumer Preferences, Islamic Banking, Consumer Satisfaction, Shariah Laws, Sharia Compliance

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1 Introduction

Islamic banking has been characterized as banking that adheres to Islam's ethos and value system and operates under Islamic Sharia principles alongside financial regulation and risk management requirements. Interest-free finance describes financial arrangements that avoid interest charges. Islamic banking, the broader term, is intended to contribute to the objectives of an Islamic economy while avoiding unethical activities and interest-based transactions prohibited by Sharia. With the involvement of local and international institutions, Pakistan's banking industry is working to improve service quality (Jawaid, Siddiqui, Kanwal, & Fatima, 2023). Nazir and Saqib (2024) examine religious considerations and the selection of Islamic financial services in Pakistan. Their work provides a relevant context for considering how customers evaluate Islamic banking. However, adherence to Sharia principles and customer satisfaction are distinct considerations: customers may value religious compliance while also assessing the practical quality, cost, and accessibility of the services they receive.

Muslims, particularly those from remote regions, reportedly account for more than 50% of the clients of several Pakistani Islamic banks (Ahmad, Zafar, & Perveen, 2024). Islamic financial instruments, such as Mudarabah, have attracted attention among customers seeking financial arrangements consistent with their religious values. This study focuses on consumers' preferences for Islamic banks and examines religious considerations alongside knowledge, satisfaction, and demographic characteristics. It also considers customers' interest in using Islamic banks, although it estimates banking preference rather than a separate measure of continued use. In 1973, Islamic banks began operating, and in 1975, Dubai launched full-scale Islamic banking operations. The Islamic Development Bank was established to support socioeconomic development in Muslim countries. Islamic banking subsequently expanded in Southeast Asia; during the 1990s, expansion also gained momentum in the Gulf States, which reportedly held approximately 74% of global Islamic banking assets in 2002 (Awan, Bukhari, & Iqbal, 2011; Iqbal et al., 2023). According to Abdullah, Sidek, and Adnan (2012), Iran and Sudan implemented fully Islamic financial systems. In addition, Islamic banking developed in non-Muslim countries (Chong & Liu, 2009). Britain established its first fully operational Islamic bank in August 2004, serving Muslim and non-Muslim customers. These developments provide historical context; however, this analysis focuses on the reported preferences of surveyed customers in Faisalabad.

As Islamic banking has grown, conventional commercial banks have taken notice of its operations. In this context, cross-border banking services may help institutions respond to demand from customers in different markets. In Pakistan, Islamic banking assets reached PKR 9,235 billion by the end of March 2024, while deposits reached PKR 6,875 billion. Net financing reportedly increased by approximately 1% during the corresponding reporting period (State Bank of Pakistan, 2024). Another figure cited for Islamic banking's share of total deposits is 9.4%; however, the reporting period is not specified, and it cannot be treated as directly comparable with the March 2024 figures. A 2008 study attributed to the Shaheed Zulfikar Ali Bhutto Institute of Science and Technology and Iqra University reported that 67% of Islamic banking customers also used conventional banks. This pattern was attributed to customers' perceptions that conventional banks offered a wider range of services. Nevertheless, using both banking systems simultaneously does not necessarily indicate a rejection of Islamic banking. Customers may evaluate different institutions based on available products, transaction requirements, perceived religious compliance, and service experience. Therefore, religious considerations and practical banking requirements should be examined together when interpreting consumer preference.

The primary objective of this study is to examine customer preferences for Islamic banking in Faisalabad, Pakistan. Consumers may favour Islamic banks because their financial arrangements are intended to comply with Sharia principles, including the prohibition of interest; however, Islamic banks may offer investment products and distribute returns through permissible contractual arrangements. Specifically, the study examines consumer knowledge and awareness of banking products and services, perceived Sharia compliance, customer satisfaction, and demographic characteristics, including income, education, age, region, marital status, gender, and religion. A related objective is to examine how these factors are associated with preference for Islamic rather than conventional banks. Customer trust remains relevant to the broader discussion of banking relationships; however, the reported regression operationalizes satisfaction rather than a separate trust scale. The analysis therefore concerns the variables actually presented in the model and does not treat trust, satisfaction, preference, and behavioural intention as interchangeable concepts.

This paper is organized as follows. The next section reviews the relevant literature and explains the study's focus. The subsequent sections describe the materials and methods, econometric specification, results and discussion, conclusion, policy recommendations, and limitations and directions for future research.

2. Literature Review

Research on consumer behaviour toward Islamic banking products and services has attracted considerable attention. Numerous factors have been examined in relation to customer acceptance of Islamic banking.

However, findings differ across settings, measures, and banking products. Previous studies discuss religious principles, attitudes, and customer selection in different contexts (Abou-Youssef, Kortam, Abou-Aish, & El-Bassiouny, 2015; Ahmad et al., 2024; Chenguel, 2014; Dusuki & Abdullah, 2007; Echchabi & Aziz, 2012; Junaidi, 2021; Junaidi, Anwar, Alam, Lantara, & Wicaksono, 2023; Khan & Khanna, 2010; Metawa & Almossawi, 1998; Naser, Jamal, & Al-Khatib, 1999; Okumus, 2005; Souiden & Jabeur, 2015; Iqbal & Molyneux, 2016). Souiden & Rani, 2015). These sources address related but distinct questions, including banking preference, financing choices, and insurance purchase intentions. Therefore, they provide a broader context for the present study rather than evidence that every religious consideration has the same association with every financial decision. The distinction between a customer's religious identity and the perceived compliance of a particular banking product is especially relevant to the current analysis.

Similarly, religious beliefs are not the only considerations associated with consumer choice of Islamic banking services. Customers may assess institutional reputation, social responsibility, convenience, staff availability and competence, service quality, pricing, expected returns, maintenance costs, social impact, and awareness of available products (Amin, Rahim Abdul Rahman, Laison Sondoh, & Magdalene Chooi Hwa, 2011; Aziz et al., 2015; Dusuki & Abdullah, 2007; Echchabi & Aziz, 2012; Erol, Kaynak, & Radi, 1990; Faisal, Akhtar, & Rehman, 2014; Gerrard & Cunningham, 1997; Haron, Ahmad, & Planisek, 1994; Ismail, Azmi, & Thurasamy, 2014; Kashif, Wan Shukran, Rehman, & Sarifuddin, 2015; Metawa & Almossawi, 1998; Rammal & Zurbruegg, 2007; Thambiah, Eze, & Ismail, 2011; Wahyuni, 2012). However, awareness of a service is different from satisfaction with having used it. Knowledge-related items concern customers' understanding of banking features, whereas satisfaction items concern their evaluation of their experience. Maintaining this distinction helps explain why the two sets of variables need not display the same pattern of associations in a preference model.

Scholars have discussed Islamic banking from several perspectives. Rammal and Zurbrugg (2006) and Ahmad (2004) describe banking arrangements that operate in accordance with Islamic jurisprudence, also known as Sharia. Ahmad (2008) also discusses profit distribution as a feature of Islamic financial arrangements. The broader objectives of Sharia include social welfare and a balanced distribution of resources. Chapra (2016) relates these objectives to Maqasid al-Sharia. However, the principles governing Islamic finance should be distinguished from the particular contractual forms and commercial practices used by individual banks. Equity-based products represent one component of Islamic finance rather than a complete description of every institution's portfolio. Similarly, the pursuit of equitable wealth distribution and economic development cannot be assessed solely through profitability (Ahmad & Ahmad, 2000). For the present study, these considerations establish the context for examining customers' perceptions of Sharia compliance; the questionnaire responses do not constitute an independent audit of a bank's legal or religious compliance.

Taken together, the literature provides a basis for examining knowledge, perceived compliance, and satisfaction jointly rather than assuming that religious identity alone explains banking preference. Research from Pakistan addresses bank patronage and customer satisfaction (Abdul Rehman & Masood, 2012; Jawaid et al., 2023), while work from Indonesia also examines the adoption of conventional and Islamic banking (Junaidi et al., 2023). However, the outcomes and measures used across these settings are not necessarily equivalent. The present study contributes local evidence on how product-specific evaluations are associated with a binary preference outcome among surveyed consumers in Faisalabad. Its contribution is therefore contextual and comparative: it identifies the association patterns reported for this sample without claiming that the same estimates apply to all Pakistani customers. This distinction allows the findings to inform subsequent comparative research while preserving the original focus on consumer preference.

3. Materials and Methods

To address the research objectives, the study collected primary survey data from 230 respondents in Faisalabad, Pakistan, in 2024 using a structured questionnaire. The attitudinal items were evaluated on a five-point Likert scale: 1 represented strongly disagree, 2 disagree, 3 neutral, 4 agree, and 5 strongly agree. The operationalization of the study variables guided the questionnaire's content. These ordered responses capture respondents' reported agreement with statements about banking knowledge, perceived Sharia compliance, and satisfaction. However, agreement with a knowledge statement should not automatically be interpreted as an objective test of financial literacy. Similarly, the five-point responses to explanatory items are distinct from the binary coding of the dependent preference variable.

The target respondents were banking consumers with Islamic bank accounts and experience of Islamic banking products, including customers who also used conventional commercial banks. The questionnaire served as the primary instrument for collecting first-hand quantitative information. Its sections addressed consumer knowledge, perceptions of Sharia compliance, satisfaction, and demographic characteristics. This design

allowed the study to examine several dimensions of customer evaluation in a single survey. However, the use of an Islamic bank account and a stated preference for Islamic banking are not identical: a customer may use more than one banking system while expressing a preference for one of them. The findings therefore reflect stated preference within the surveyed customer group, rather than the banking choices of every consumer in Faisalabad.

After data collection, questionnaire responses were entered into SPSS and checked for data-entry consistency. Respondents' information about Islamic and conventional banking was coded for statistical analysis. The resulting dataset was used to summarize the collected information and estimate the reported model. The distinction between variable labels and coding is important because the direction of a logistic regression association depends on how both the outcome and explanatory variables are represented. In particular, interpreting demographic contrasts requires knowledge of the reference category, while interpreting satisfaction items requires attention to whether higher scores indicate greater satisfaction. Accordingly, the results below follow the stated outcome coding and the labels supplied in the regression table.

4. Methodology

Binary logistic regression was used to examine the associations between consumer preference for Islamic banking and the explanatory variables, including perceived Sharia compliance. The outcome distinguishes preference for Islamic banks from preference for conventional banks. This specification addresses the study's original focus on consumer preference while allowing knowledge, compliance perceptions, satisfaction, and demographic characteristics to be considered jointly.

Binary logistic regression is appropriate for an outcome with two categories, conventionally coded 0 and 1. The model relates the log-odds of the event of interest to a linear combination of explanatory variables. Transforming this linear predictor through the logistic function produces fitted probabilities between zero and one. The estimated coefficients describe conditional associations with log-odds; exponentiating them yields odds ratios. An odds ratio above one indicates higher odds of the outcome, whereas a value below one indicates lower odds, conditional on the other variables and the coding used. These quantities are not equivalent to percentage changes in probability. The distinction is necessary when translating the regression results into substantive statements about customer preference.

In this study, the binary outcome is coded 1 for preference for Islamic banks and 0 for preference for conventional banks. The model therefore estimates associations with the odds of preferring Islamic banking. Perceived Sharia compliance enters as a set of explanatory items rather than a second dependent variable. This distinction ensures that the estimated model is interpreted consistently with its stated purpose. A respondent's view that a product follows Sharia principles is treated as a reported perception associated with preference, rather than as independent evidence that the product satisfies every applicable compliance requirement.

The regression considers how customer knowledge, compliance perceptions, satisfaction, and demographic characteristics relate to the preference outcome. However, the cross-sectional survey does not establish whether these characteristics preceded the preference expressed. For example, customers who already prefer Islamic banks may seek additional information about their products or evaluate their compliance more favourably. Therefore, the estimates are interpreted as conditional associations rather than causal effects. This approach also avoids treating preference as equivalent to actual adoption, future purchase intention, or continued use, each of which would require an appropriately defined outcome measure.

4.1. Econometric Model

In the binary logistic model, Y denotes the dependent preference variable, while the remaining terms represent explanatory variables. The specification is expressed in log-odds form so that the fitted probability remains within the interval from zero to one.

$$\ln[p_i/(1 - p_i)] = \alpha + \sum_{j=1}^{4} \beta_j CK_{ij} + \sum_{k=1}^{4} \gamma_k SC_{ik} + \sum_{l=1}^{7} \delta_l CS_{il} + \sum_{r=1}^{7} \theta_r D_{ir} \quad (1)$$

Equation 1 presents the econometric specification. Here, $p_i = Pr(Y_i = 1 \mid X_i)$ denotes the conditional probability that respondent i prefers Islamic banks; Y_i equals 1 for preference for Islamic banks and 0 for preference for conventional banks. CK contains four items concerning consumer knowledge of Islamic and conventional banking, SC contains four items concerning perceived Sharia compliance, and CS contains seven items concerning satisfaction with Islamic banking. Each item enters separately, as shown in Table 1. The demographic controls are age, region, family income, marital status, education, gender, and religion. These controls account for observed respondent characteristics; they do not eliminate all unobserved differences between customers. The intercept is α, the item-specific coefficients are β, γ, and δ, and the demographic

coefficients are θ. The expression specifies a conditional probability model rather than an ordinary linear regression with an additive probability-scale error. Therefore, the estimated odds ratios must be interpreted using the coding and measurement unit of the corresponding predictor. D_{ir} denotes demographic control r for respondent i, with the seven controls ordered as listed above.

5. Results and Discussion

The model estimates the probability of preferring Islamic rather than conventional banks conditional on customer knowledge, perceived Sharia compliance, satisfaction, and demographic characteristics. The regression table presents odds ratios rather than the underlying log-odds coefficients. An odds ratio greater than one indicates a positive conditional association with Islamic banking preference, whereas an odds ratio below one indicates a negative association under the stated coding. However, the size of an odds ratio does not directly indicate the size of a change in probability. Statistical significance and substantive importance also require separate consideration, particularly when comparing items with different measurement units.

Table 1 presents the estimated associations with consumer preference. CKAIB1–CKAIB4 represent knowledge of profit margins, borrowing costs, insurance policies, and service quality. SCIB1–SCIB4 represent perceptions of the Sharia compliance of insurance, leasing, deposit, and lending policies. CSIB1–CSIB7 represent satisfaction with different features of Islamic banking. The knowledge and compliance items have odds ratios above one, although the strength of statistical evidence varies. In contrast, the satisfaction items have mixed directions, and only satisfaction with bank charges reaches the 5% significance level. Therefore, the table does not support a uniform positive association between every dimension of satisfaction and Islamic banking preference. The separate item estimates should not be interpreted as a single validated effect of an aggregate knowledge, compliance, or satisfaction construct.

The model summary reports a log likelihood of −116.18, a chi-square statistic of 81.44, and a value labelled R^2 of 0.259. The chi-square statistic is presented as statistically significant in the table, suggesting that the included predictors jointly improve fit relative to the corresponding intercept-only model. However, the type of pseudo-R^2 is not specified, and 0.259 should not be restated as 25.9% of preference variance explained. Similarly, these fit statistics do not independently establish predictive accuracy, calibration, or model stability. Because numerous item-level predictors are included for 230 respondents, interpretation also depends on the distribution of the two outcome categories and the information available within demographic groups. The reported estimates consequently provide evidence of conditional associations, with uncertainty extending beyond whether individual p-values cross a chosen threshold.

Education has a positive association with Islamic banking preference (OR = 1.150, p = .009). Age also has a positive association according to its reported p-value (OR = 1.276, p = .015). However, the age row contains a numerical inconsistency between its reported odds ratio, standard error, and p-value, which limits interpretation of its estimated magnitude. Region, family income, marital status, gender, and religion do not reach conventional significance thresholds in the table. Their nonsignificance does not establish that these characteristics are irrelevant in the wider population; it indicates that the reported model does not provide sufficient statistical evidence of an association within this sample.

Knowledge of banking profit margins is positively associated with preference for Islamic banks (OR = 3.188, p = .002). Similarly, knowledge of borrowing costs displays a positive association (OR = 4.234, p < .001), as does knowledge of insurance policies (OR = 4.206, p < .001). These findings concern the odds of Islamic banking preference conditional on the other variables; they do not establish that additional knowledge causes a particular increase in the probability of preference. Dusuki and Abdullah (2007) provide relevant context on customers' reasons for patronizing Islamic banks. In addition, awareness of service quality is positively associated with preference (OR = 2.617, p = .008), a finding that can be considered alongside Doraisamy, Shanmugam, and Raman's (2011) examination of Islamic banking preferences. However, differences in samples and measurement prevent assuming these studies estimate identical relationships. The distinction between knowledge of services and satisfaction with services is particularly important because the corresponding satisfaction item is not statistically significant in the present model.

Perceived Sharia compliance of insurance policies is positively associated with Islamic banking preference (OR = 3.544, p < .001). Perceived compliance of leasing policies is also positively associated with preference (OR = 2.647, p = .006). Therefore, respondents' evaluations of specific contractual arrangements appear relevant to their stated preference within this sample. However, these items reflect customers' perceptions and do not independently establish a bank's or product's actual compliance. Chapra (2016) provides a broader discussion of Islamic economic principles, while the Economist Intelligence Unit (2012) addresses the Sharia-conscious consumer. These sources offer conceptual and market context rather than direct replication of the present

regression estimates. Accordingly, the findings support attention to clear explanations of product arrangements without implying that a survey of perceptions substitutes for formal Sharia governance or regulatory assessment.

Perceived Sharia compliance of deposit policies is positively associated with Islamic banking preference (OR = 2.767, p = .005). Perceived compliance of lending policies also has an odds ratio above one (OR = 1.905), although its p-value of .067 meets a 10% threshold rather than a 5% threshold. Therefore, evidence for the lending item is weaker than for the other compliance items. Bitner and Hubbert (1994) discuss distinctions between satisfaction and service quality; their work provides a conceptual basis for separating customer evaluations, rather than direct evidence about Sharia-compliant lending. Satisfaction with the profit rate has an odds ratio below one (OR = 0.817, p = .551), indicating a negative but statistically nonsignificant association under the stated coding. Consequently, this estimate does not support a claim that greater profit-rate satisfaction is positively associated with Islamic banking preference. The absence of statistical significance also prevents a firm conclusion about the direction of the population association.

Table 1: Results of Binary Logistic Regression

Variables	Odds Ratio	Std. Err.	p> |z|
Consumer Knowledge:			
About Profit margin offered by all banks (CKAIB1)	3.188	1.178	0.002***
About Cost of borrowing offered by all banks (CKAIB2)	4.234	1.599	<.001***
About insurance policy offered by all banks (CKAIB3)	4.206	1.526	<.001***
About service quality offered by all banks (CKAIB4)	2.617	0.942	0.008***
Sharia Compliance:			
Insurance policy offered by Islamic bank is according to Sharia (SCIB1)	3.544	1.242	<.001***
Leasing policy offered by Islamic bank is according to Sharia (SCIB2)	2.647	0.936	0.006***
Deposit policy offered by Islamic bank is according to Sharia (SCIB3)	2.767	1.014	0.005***
Lending policy offered by Islamic bank is according to Sharia (SCIB4)	1.905	0.670	0.067*
Consumer Satisfaction:			
Satisfied with profit rate offered by Islamic Bank (CSIB1)	0.817	0.276	0.551
Satisfied with prompt service by Islamic Bank (CSIB2)	0.827	0.293	0.594
Satisfied with Islamic bank charges (CSIB3)	0.345	0.129	0.005***
Satisfied with assurance of Islamic bank product (CSIB4)	0.645	0.222	0.204
Satisfied with terms & conditions set by Islamic banks (CSIB5)	1.083	0.372	0.814
Satisfied with own decision of choosing Islamic Banks (CSIB6)	1.107	0.397	0.776
Satisfied with general Islamic bank services (CSIB7)	0.886	0.300	0.722
Demographic Variables:			
Education	1.150	0.061	0.009***
Age	1.276	0.016	0.015**
Region	0.669	0.240	0.265
Family Income	0.999	2.00	0.505
Married	0.834	0.299	0.615
Gender	0.906	0.308	0.773
Religion	0.055	0.452	0.909
_CONS	0.015	0.0197	0.001***
R2	0.259		
Log likelihood	-116.18		
Chi sq.	81.44***		

Source: Calculated by the authors. Note. OR = odds ratio. *** p < .01; ** p < .05; * p < .10. P-values displayed as .000 are reported as p < .001. The value labelled R^2 is interpreted as a pseudo-R^2 rather than the proportion of variance explained in an ordinary linear regression.

Satisfaction with prompt service has a negative but statistically nonsignificant association with Islamic banking preference (OR = 0.827, p = .594). Bitner and Hubbert (1994), Dusuki and Abdullah (2007), Erol et al. (1990), and Okumus (2005) discuss the broader distinctions between service quality, satisfaction, and bank selection. However, these references should not be treated as evidence that the present item necessarily has a positive association. Satisfaction with bank charges is statistically significant and has an odds ratio below one (OR = 0.345, p = .005). Under the stated outcome coding and assuming higher scores indicate greater satisfaction, this represents lower odds of preferring Islamic banks. The result cannot be restated as evidence that lower charges increase preference because the item measures satisfaction with charges, not the actual amount charged. Ball,

Simões Coelho, and Machás (2004) offer relevant context concerning communication, trust, and loyalty, although those concepts are distinct from the charge-satisfaction item estimated here. Therefore, the unexpected direction warrants cautious interpretation rather than an unsupported positive explanation.

Satisfaction with product assurance is negatively associated with preference but not statistically significant (OR = 0.645, p = .204). Satisfaction with terms and conditions has a positive but nonsignificant association (OR = 1.083, p = .814). The latter item concerns terms and conditions rather than a separately measured security policy. Muhamad, Devi, and Mu'min (2006) discuss ethical investment considerations, providing broader financial context rather than directly testing the same satisfaction item. Satisfaction with the decision to choose Islamic banking is also positive but nonsignificant (OR = 1.107, p = .776), whereas satisfaction with general Islamic banking services is negative and nonsignificant (OR = 0.886, p = .722). Related discussions of service quality and satisfaction appear in Amin and Isa (2008), Arasli, Turan Katircioglu, and Mehtap-Smadi (2005), and Raza, Jawaid, and Hassan (2015). Nevertheless, differences in banking channels and study designs limit direct comparisons. Age is positively associated with preference according to the reported p-value, subject to the numerical inconsistency noted above. Region has an odds ratio below one and is not significant (OR = 0.669, p = .265). Without the regional reference coding, this cannot be interpreted as a positive rural or urban effect. Abdul Rehman and Masood (2012), Okumus and Genc (2013), and Srouji, Ab Halim, Lubis, and Hamdallah (2015) provide additional context on bank selection across different settings.

Family income is not significantly associated with preference in the reported table (OR = 0.999, p = .505). Under the displayed coding, it is slightly negative; however, its practical magnitude cannot be interpreted without the income unit, and the standard-error entry requires particular caution. Marital status is also nonsignificant (OR = 0.834, p = .615). Ahmed et al. (2010) and Mansour, Ben Abdelhamid, Masood, and Niazi (2010) are cited regarding demographic considerations; however, the demographic associations estimated in the present sample remain distinct from findings in other settings. Education is positively associated with preference (OR = 1.150, p = .009), conditional on the unit in which education was entered. Gender is not significant (OR = 0.906, p = .773), and its direction depends on the reference category. Mansour et al. (2010) also examine customer preferences, providing comparative context rather than proof of an identical gender association. Religion is nonsignificant according to the reported p-value (OR = 0.055, p = .909), but the numerical entries in this row are internally inconsistent. Therefore, this row provides no evidence of a positive religious-identity association or its magnitude. Ahmqd et al. (2010) and Muhamad, Devi, and Mu'min (2006) discuss religious and ethical considerations; nevertheless, when comparing studies, religious identity, religiosity, ethical investment, and perceived product compliance should be distinguished.

6. Conclusion

This research examined consumer preference for Islamic banking in Faisalabad, Pakistan, using a binary logistic regression model and survey responses from 230 consumers. The reported estimates show positive associations for knowledge of profit margins, borrowing costs, insurance policies, and service quality, together with perceived Sharia compliance of insurance, leasing, and deposit policies. Education is also positively associated with preference. The age estimate is significant according to the reported p-value, although its internally inconsistent numerical entries limit interpretation. Perceived compliance of lending policies meets a 10% significance threshold but not a 5% threshold. In contrast, satisfaction with bank charges is significantly negative under the stated coding, while the remaining satisfaction items and several demographic variables are nonsignificant. These findings distinguish knowledge, compliance perceptions, and satisfaction rather than treating them as uniformly positive influences. The study supports careful attention to customer understanding and transparent explanations of Islamic banking arrangements. However, its cross-sectional design does not establish causation, and its preference outcome does not directly measure subsequent adoption or continued use. Customer education, product development, and transparent Sharia governance therefore represent practical considerations informed by the findings, rather than interventions whose effectiveness was directly tested.

6.1. Policy Recommendations

To support the development and competitiveness of Islamic banking, financial institutions may strengthen customer education on profit margins, financing costs, insurance arrangements, and product-specific Sharia principles. These priorities correspond more closely to the knowledge and compliance items examined in the study. In addition, clear explanations of contractual terms and pricing could help customers assess products according to their own requirements. Diversifying Sharia-compliant products, including home financing and digital banking services, and strengthening independent Sharia governance through audits and supervisory arrangements remain broader policy considerations. However, their effectiveness was not directly evaluated by the survey. Similarly, staff training, FinTech partnerships, and engagement with religious leaders and

regulators may support communication and service development, but require separate evaluation. The negative association for satisfaction with bank charges should not be converted into a recommendation to increase or decrease charges without examining the item coding and customers' understanding of the question. Therefore, these recommendations are presented as informed directions for institutional development rather than guarantees of sustainable growth, adoption, or market expansion.

6.2. Limitations and Future Research

The Faisalabad-specific sample limits the extent to which the findings can be generalized to Pakistan's heterogeneous banking population. The city's demographic, commercial, and institutional characteristics may differ from those of other locations, while the available sampling description does not establish national representativeness. In addition, surveys conducted during banking hours may be affected by hurried responses, incomplete answers, or socially desirable reporting; these are potential limitations rather than documented behaviours of individual respondents. Future research could use a multi-city design including Lahore, Sargodha, Sheikhupura, Chiniot, and Hafizabad. Selecting locations with different population sizes, industrial structures, and banking provision could improve comparative understanding. Collaboration with several banks and an appropriately designed stratified sampling procedure could also broaden coverage. Online questionnaires may improve access for some respondents; however, they could exclude customers with limited digital access and should therefore complement rather than automatically replace other collection methods. The cross-sectional design further limits conclusions about temporal ordering and causal relationships. Longitudinal research could distinguish preference from actual adoption and continued use. Similarly, separate measures of trust, objective financial knowledge, religiosity, and perceived compliance would help clarify the conceptual distinctions raised by the present results. Replication with transparent coding, complete interval estimates, and a more clearly documented sampling procedure would make comparisons across cities and banking systems more informative.

A further limitation concerns the distinction between measurement and model specification. Product-specific items may capture different evaluations even when grouped under the same heading, and entering them separately does not demonstrate the reliability of an aggregate scale. In addition, knowledge of services and satisfaction with those services may be correlated. Future studies could assess these relationships before selecting a parsimonious specification, rather than adding predictors solely because they were available in the questionnaire. Reporting anonymized variable definitions, questionnaire wording, and analysis syntax would facilitate replication where consent and data access arrangements permit. Such transparency would also allow later researchers to compare item-level estimates, examine alternative codings, and distinguish a local preference pattern from a broadly transferable explanation of banking behaviour.

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