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BGE — FACULTY OF FINANCE AND ACCOUNTANCY

BUDAPEST BUSINESS SCHOOL

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THESIS

Kainat Jawaid

Full-time

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Islamic vs Conventional Banking in Pakistan

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DECLARATION

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ACKNOWLEDGEMENT

In the spirit of recognizing the good things around us, I want to express my heartfelt thanks for the knowledge that's been a guiding light, especially in times when the world seems confusing and directionless. The wisdom we've gained as a human race is like a beacon, helping us find our way.

I have a lot of respect for the life of the Holy Prophet Muhammad (peace be upon him). His teachings about peace, unity, and well-being for both now and the future really resonate with me, and I see him as a role model whose example I try to follow.

I owe a huge debt of gratitude to my family for always being there with love and support, helping me through tough times. And to all the folks who've been a part of my academic journey, thank you. A special shout-out to my supervisor – their guidance, thoughtful advice, and watchful eye made a world of difference. I'll never forget how they inspired me and kept me on track to reach my goals.

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List of Abbreviations

CB   Conventional Bank

IB   Islamic Bank

SBP   State Bank of Pakistan

Prf   Bank Performance

DSQL   Dimensions of Service Quality

CS   Customer Satisfaction

ANOVA   Analysis of Variance

SEM   Structural Equation Modeling

SE   Standard Error

df   Degree of Freedom

SQL   Service Quality

Tgty   Tangibility

Rlty   Reliability

Rspv   Responsiveness

Asnc   Assurance

Epty   Empathy

Csrv   Core Service

Helmt   Human Element

Smdlv	Systemization of Service Deliver
TgSv	Tangibles of Services
Slrby	Social Responsibility
Cprf	Conventional Bank Performance
Iprf	Islamic Bank Performance
IBSQL	Islamic Bank Service Quality
CBSQL	Conventional Bank Service Quality
IBCS	Islamic Bank Customer Satisfaction
CBCS	Conventional Bank Customer Satisfaction
Slty	Service Quality
Srsn	Customer Satisfaction
PLS	Partial Least Square
GDP	Gross Domestic Product
ROI	Return on Investment
ROE	Return on Equity
UAE	Unite Arab Emirates
SOPs	Standard Operating Procedures

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Abstract

This research compares Islamic banks in Pakistan to traditional banks to investigate the connection between service quality, client happiness and bank performance. Many problems have arisen in the financial sector in Pakistan with the introduction of Islamic banking. Islamic and conventional banks in Pakistan compete for consumers by providing superior service to increase their share of the market. A model is given with theoretical underpinnings and then tested in the context of Pakistan. A systematic questionnaire has been prepared for the research in the light of the existing literature. The analysis of data is performed using a variety of programs including. The study's hypotheses are examined using a battery of statistical tests, including the t-test, regression analysis, correlation, and structural equation modelling. The findings point to a robust positive correlation between service quality and customer satisfaction in Pakistan's banking industry. The results indicate that service quality and customer happiness have little impact on financial institutions' success. Several groups, including bankers, policymakers, and academics, may benefit from the study's findings.

Chapter 1
Introduction

1.1 The Context of the Investigation

Every community's progress depends on the financial industry. No developing country can aspire to join the developed world without financial services. Mass manufacturing enabled by the 18th-century industrial revolution boosted commercial and economic activities. Banking became essential to company operations. In today's borderless, global market, banks' success may depend on customer satisfaction and product quality.

Ancient Greek temples, government organizations, and private companies handled deposits, loans, and book transactions in complicated ways. Rome standardized many Greek customs. Babylonia relied on banking in the second millennium B.C. Lombard bankers founded the Medici bank and invented double-entry bookkeeping in 1397. The Rothschilds pioneered commercial banking in the early 17th century. Modern banking in undivided India began with the General Bank of India in 1786. Pakistan's financial system was founded after independence on August 14, 1947. Pakistan's banking business has changed dramatically since the private sector owns over 80% of assets (Economic Survey of Pakistan, 2007-08).

The ability of banks to raise capital and encourage investment in worthwhile projects is crucial. They take in savings from the public and lend it out to business owners, encouraging the kinds of investment activity necessary for any economy to thrive. To promote commerce, banks establish a connection between monetary units in excess and deficit. The following example illustrates the role played by banks.
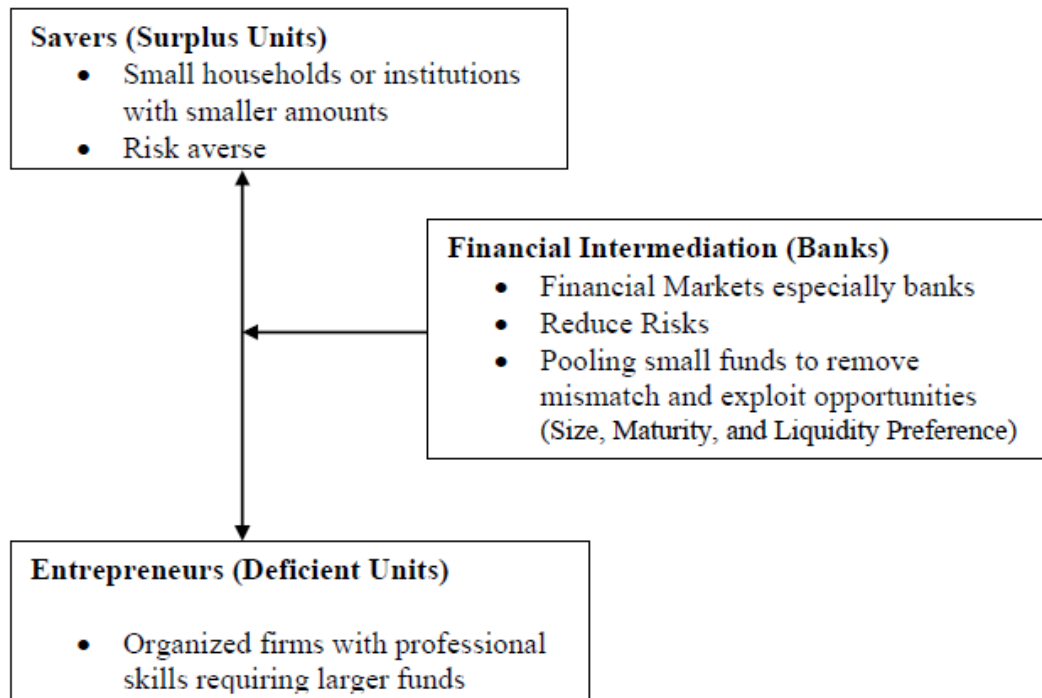
Figure 1.1: The Function of Banks as Financial Intermediaries

Financial intermediaries connect individuals seeking cash with those having it by analyzing the pros and cons of different ventures. Banks combine savers' money and lend it to company owners to invest and profit. Effective intermediation boosts productivity and ROI over time. You may pick between Islamic and normal banking in Pakistan. Islamic banks (IBs) have different aims, Riba, and risk-sharing practices. CB is an interest-based financial intermediary, whereas IB is a trade-oriented institution that follows Allah Almighty's Sharia'h. IB gets variable earnings, whereas CB earns stable interest.

1.1.1 Islamic Banking

"Banking in consonance with the ethos and value system of Islam and governed, in addition to the conventional good governance and risk management rules, by the principles laid down in Islamic Sharia'h," said the State Bank of Pakistan (SBP).

Islam means total submission to Allah. This complete collection of life standards is based on the teachings of the Holy Prophet Muhammad (Peace be upon him) and Allah Almighty. Everyone on Earth pursues spiritual, social, and material goals. Religious activities frequently inspire and link secular ones. Islam provides comprehensive instructions for handling each issue. Religion profoundly influences permitted (Halaal) or banned (Haraam) income and spending practices. Trading for profit (Bai) is allowed in the Quran, however interest-based businesses are not. Islamic law allows only riba-free economic banking.

Egypt has the world's first modern Islamic bank in 1963. At a 1973 session in Jeddah, Saudi Arabia, the OIC accepted the Islamic banking system. Other Islamic financial organizations followed, including Bahrain Islamic Bank in 1979, Meezan Islamic Bank of Pakistan in 2002, and Faisal Islamic Banks of Sudan (1977) and Egypt (1977). The Islamic Banking Act of 1983 permitted interest-based conventional banks to switch to Islamic banking in Malaysia. Islamic banking was established worldwide in the 1990s, especially in Muslim-majority nations. Islamic banking flourished in the 21st century as more companies offered Sharia'h-compliant services and commodities. The Islamic financial system and mankind may benefit from a riba-free, equity-based economy (Chapra, 1985).

1.1.2 Traditional and Islamic Banking Systems

Shariah-based Islamic banks must only transact Halaal (permissible) and operate interest-free. Islamic banking's basic idea is sharing risk between investors, banks, and borrowers. Islamic banking follows Allah Almighty's precepts of equality and autonomy. Pakistan has both conventional and Islamic banking, thus a study should evaluate their service quality, customer satisfaction, and bank performance. Al-Jarhi and Iqbal (2001) state that Islamic banks lend and borrow without charging interest. To raise capital, it takes demand deposits as interest-free Mudarbah or Wakalah loans. It makes profit-and-loss investments or debt-based advances as a Sharia'h-compliant investment manager. Islamic banks treat consumers and clients fairly and justly (Siddique, 1985).

Ijtihad considering the Quran and Sunnah permits Islam to create new products and processes. An Islamic bank invests clients' funds in a pooled or specialized investment vehicle or takes interest-free demand deposits as Mudarib. As an investment manager (Wakalah), it may charge customers. Traditional banking promises investors a specific interest rate and prioritises profit above society and other interests. Traditional banking's excessive use of credit and debt may cause financial problems and encourage materialism and exploitation, which harms society.

Table 1.1 summarizes the primary distinction between Islamic and regular banking.

Table 1.1: Comparison of an Islamic Bank to a Traditional Bank

Distinction Principal	Islamic Bank	Traditional Bank
The tenet	When doing business, Islamic banks adhere to the tenets of Shariah, which were revealed by Allah.	Conventional banks conduct their business and daily activities in accordance with predetermined, arbitrary rules.
Earnings Origination	Islamic banks generate revenue primarily from profit, service charges, and consultation fees. It's possible to make a loss instead of a profit.	Conventional banks make money primarily from the interest they collect on loans and other banking products. (Difference between interests charged from borrowers and paid to depositors). It guarantees an interest rate that has already been set.
Risk Pooling	Borrower, lender, and bank are all exposed to some degree of risk.	The whole of the risk is borne by someone else.
Optimizing Returns	It prioritizes profit maximization within the constraints of Sharia'h law.	Its only purpose is to increase its own wealth regardless of the costs to everyone else.
The targets	Earnings at an Islamic bank originate from the bank's role as a trading concern (Mudarib or	As a financial middleman, it can make a profit. At all costs, it seeks to increase the value it has created for

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	Wakalah).	its stockholders.
Sources of Income	The profitability of Islamic financial institutions changes as the economy does. It might turn out badly if you suffer a loss.	Traditional banks maintain a steady stream of revenue regardless of fluctuations in the level of their customers' profits because they charge a set rate of interest.

1.2 Large Scale Issue

Instead of guaranteeing investors an interest rate, Islamic banking operates interest-free. It allocates resources more efficiently than interest-based systems, making it more feasible. Islamic banks use equity-based contracts, which are better for the economy than interest-based banks.

Pakistani traditional banks provide several products; however most are interest-based, which violates Sharia'h. Islamic banks promote economic growth by mobilizing savers' assets to entrepreneurs, avoiding stakeholder exploitation, and promoting high-profit welfare-oriented business ventures. They also foster Muslim brotherhood and collaboration, guaranteeing a stable economy, equitable income distribution, decreased injustice, risk sharing, and production and enterprise. Islamic banks boost economic development and prosperity too.

1.2.1 The banking sector in Pakistan

The central bank, the State Bank of Pakistan, sets monetary policy as the economy changes. Pakistan's banking system has improved due to private sector and foreign investor participation. Services have been a major contribution to global GDP in recent decades. The banking sector has driven Pakistan's GDP growth and is expanding rapidly. Pakistan has about 50 banks servicing customers. Arby (2003) studied Pakistani commercial banks. Time has shown that state-owned banks are less lucrative than private banks. State-owned banks becoming private banks benefited the financial sector, particularly banking. Several financial firms provide Sharia'h-compliant services. Pakistan has 13 conventional banks with 58 branches and 6 fully operating Islamic

banks with 108 branches offering interest-free products as of April 2007 (SBP, 2007). FDI in the banking industry has expanded tremendously due to the commercial banking sector's remarkable success in recent years. Banks expanded in number and asset worth. This brings the total to 8233 branches, up 343 from six months earlier. In the first half of 2007-08 (Economic Survey of Pakistan, 2007-08), total banking assets rose 203.1 billion to Rs. 5155 billion.

1.3 Defining the Information Deficit

The 1990s saw global growth in the services industry, particularly banking, with Islamic banking in countries like Malaysia, Pakistan, Bangladesh, Bahrain, and non-Muslim countries offering both opportunities and challenges. Both Islamic and traditional banking systems forced banks to compete for long-term customer benefits, leading to a focus on customer service excellence. As banking competition intensifies, experts are studying how service quality affects consumer contentment and financial institution performance.

Pakistani private sector banks have become more active and focused on offering outstanding services after financial liberalization in 1992. The country's banking system has faced political instability and unpredictability since its founding, leading to the privatization of banking in 1992. The State Bank of Pakistan started preparing for Islamic banking in 2000, and Meezan Islamic Bank opened in 2002.

Islamic banks in Pakistan have several opportunities due to the 96% Muslim population, but also face challenges due to the public's desire for standard banking services. The banking industry's cyclical expansion warrants a study of the banking industry's performance, including customer happiness and service quality. This study compares conventional and Islamic banking in Pakistan using the country's literacy rate, addressing the gap in research on Islamic banking.

1.4 Problem Statement

The banking sector encourages commerce and trade by encouraging saving and investment. In its 61 years of existence, Pakistan's banking industry has seen profound transformation. At the turn of the 21st century, Islamic banks began operations, giving traditional banks a run for their money. One of the many services banks provide acts as a go-between for depositors and borrowers. There are both Islamic and traditional banks in Pakistan, which has led to fierce rivalry to win over consumers. Everyone is working hard to increase their earnings by providing services that exceed their clients' expectations. Based on the current body of research, a comparative analysis of the factors influencing service quality, customer satisfaction, and bank performance in Pakistan is required. This research looks at how Islamic and conventional banks in Pakistan do in terms of customer performance after adjusting for differences in service quality.

1.5 The Study's Aims

This study compares customer service quality choices of Islamic and conventional banks in Pakistan, focusing on their impact on customer satisfaction and bank performance. It proposes and verifies a SQL, CS, and PRF model to investigate these factors.

- Examine the gender gap in Pakistani bank clients' opinions on the level of service they get.

- The purpose of this study is to investigate the connection between the quality of banking services and the contentment of Pakistani consumers.

- To get insight into the relationship between bank success in Pakistan and happy customers.

- The purpose of this study is to compare how Islamic bank clients and customers of conventional banks feel about the quality of service they get, their level of satisfaction with their bank, and the bank's overall performance.

1.6 Importance of the Research

This study aims to inform Pakistani practitioners, bank managers, researchers, and policymakers on improving service quality to satisfy customers and boost profits. It examines how pleased clients impact a bank's profits. This is crucial as Islamic banking is growing 114% annually. Previous studies have shown that Islamic banks can compete with conventional banks even in low-profit-loss scenarios. Hong Kong banks have adopted quality initiatives to meet service needs, and Taiwanese banks have found a positive association between service quality and customer happiness. Customer satisfaction ratings can minimize branch efficiency gaps, improving bank efficiency. Over time, financial reforms and governance improvements have improved Pakistani banking.

1.7 Determining the Nature of the Study's Variables

This study explores the impact of service quality on customer happiness in Islamic banks, focusing on the value of service quality and its impact on financial institution performance. As competition for interest-free products has increased, Pakistani banks are increasingly prioritizing customer satisfaction to improve product and service quality. Performance measurement has become crucial for company survival in the banking sector, and Pakistani Islamic banks need regular performance reviews to compete with conventional banks. The growing demand for high-quality assets may benefit banks from higher entry barriers. Literature sets the framework for assessing service quality and customer satisfaction, and to succeed in today's global and competitive environment, banks must value service quality. This study aims to identify the most crucial customer service quality factors for bankers to keep customers happy and generate profits.

Chapter 2
Literature Review

Banks face intense competition, with Islamic banks facing stiff competition from conventional banks. Researchers study various aspects of banks, including operations, service quality, employee satisfaction, customer satisfaction, financing products, bank efficiency, and financial performance. Customers become the center of banking activities, and banks aim to improve service quality according to customer expectations.

2.1 Offerings

The study explores the impact of service quality dimensions on customer satisfaction and bank performance in Pakistan, developing a model to measure Islamic and conventional banks' performance**.**

2.1.1 The Meaning of Service and the Quality of Service

Business is a genuine way to make money. Commercial acts might be classified as manufacturing, trading, or providing services. Providing services to clients is a service. Service providers provide customers with benefits from their expertise, skills, knowledge, and experience for a fee. Coaching, teaching, advising, etc. are services. Banking services include financial intermediation, consultation, and agency services, diversifying with time. Services differ from goods due to their intangibility, perishability, inseparability, and heterogeneity (Parasuraman et al. 1985; Hoffman and Bateson, 2002).

Any product's quality is its capacity to satisfy clients. A collection of qualities, characteristics, or properties necessary or anticipated by consumers. Numerous studies indicate a correlation

between bank service quality and client happiness. Quality plays a significant role in customer acquisition and retention (Galloway and Ho, 1996). Morre (1987) found that focusing on service quality may help organizations gain a competitive edge and long-term advantages. Service quality and client happiness are crucial for the success of any service organization. Service quality is a key factor in customer satisfaction (Spreng and Machoy, 1996). Service quality gained appeal among professionals and academics owing to rising competitiveness. It helps acquire a competitive edge and preserve long-term consumer relationships (Zeithmal et al. 2000).

2.1.2 Qualitative Factors in Customer Service

Service quality and dimensions are discussed often. In literature, scholars disagree on conventional measures. Population numbers, cultural standards, religious practices, geography, and other variables may explain this. American and European service quality perceptions vary. Scholars define "service quality" differently (Cronin et al., 2000). Johnston (1995) identified 18 service quality dimensions to assess service sector efficiency: aesthetic, availability, attentiveness, access, care, cleanliness, comfort, commitment, communication, competence, courtesy, friendliness, flexibility, functionality, integrity, reliability, responsiveness, and security. Oppewal and Vriens (2000) evaluated retail banking quality using 28 variables. Bahia and Nantel (2000) defined six service excellence traits in banking, comprising 31 items.

2.2 Customer Happiness

After deregulation, Pakistan's financial industry expanded at a rate never seen before. After financial liberalization in the early 1990s, the financial markets in Pakistan underwent dramatic changes, which prompted intense rivalry among financial institutions, particularly in the banking industry. As a result of this rivalry, more and more items are being developed with the consumer in mind.

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2.2.1 Banking Customers' Level of Contentment

Banks must compete for new customers due to financial deregulation and liberalization. Every banker strives to give better services to satisfy customers. The rising adoption of Islamic banking has increased competition among Pakistan's Islamic banks. Islamic banks have several challenges nowadays. They compete with similar firms and conventional banks. Product or service satisfaction is a set of feelings or effects after a transaction (Solomon, 1996). Customer satisfaction is a company's greatest asset, ensuring success in the face of fierce competition. Research (Dispensa, 1997) shows that pleased consumers return and refer new customers by praising the firm. If a customer is upset, they may leave and tell others. Therefore, firms must ensure customer satisfaction with their goods and services (Gulledge, 1996).
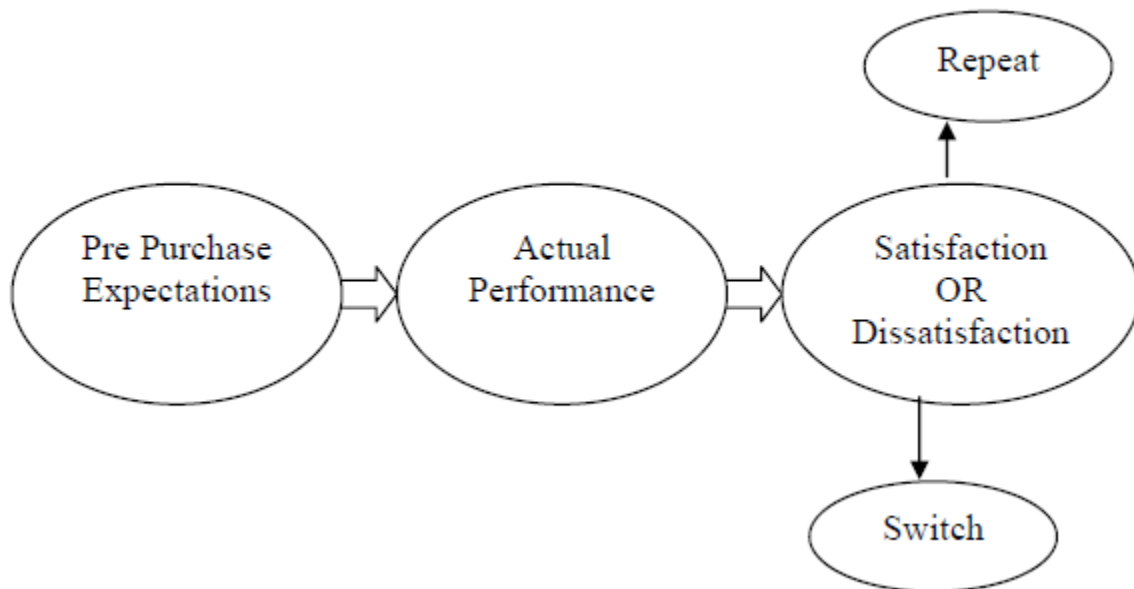
Figure 2.1: Customers' Expectation and Realization of Results

Figure 2.1 compares financial institution customers' expectations and results. Excellent customer service makes existing and future customers feel appreciated, increasing profits. Every company

employs enough to satisfy customers. Customers who enjoy your service are more inclined to promote your brand.

Figure 2.2 shows the path from 'happy' to 'excited to 'loyal' clients.
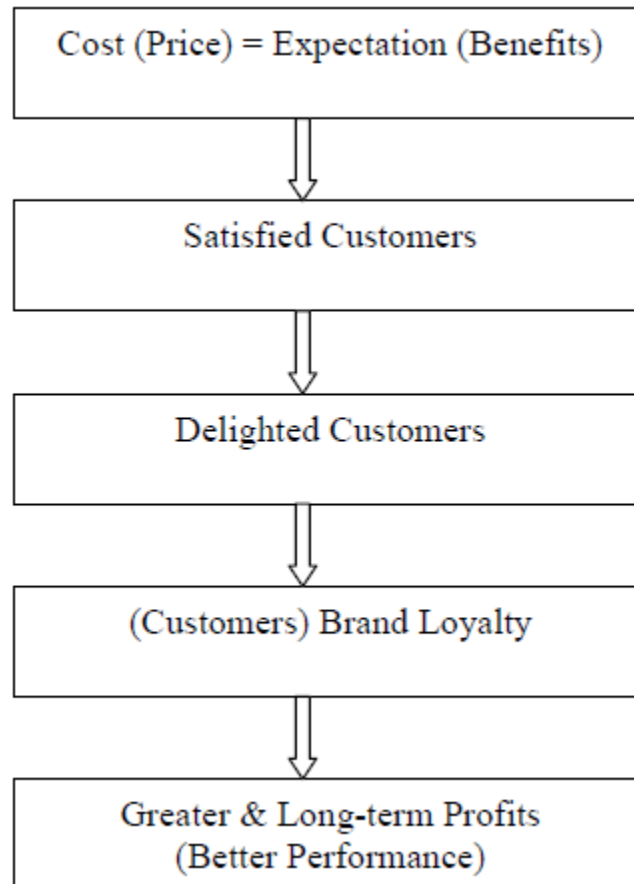
Figure 2.2: Increased Productivity via Happy Customers

2.2.2 Factors That Influence Client Happiness

The banking industry has expanded due to new products and services, attracting both conventional and Islamic banks. Quality services are crucial for customer satisfaction and sustainable competitive advantage (Shemwell *et al.*, 1998). Customer satisfaction is crucial for

market success, profitability, and returns on investments. It requires a multidimensional scale for measurement and requires a multi-item scale (Hackl and Westlund, 2000).

Cronin and Taylor's (1992) single-item scale for customer satisfaction was insufficient, leading to the development of four-item, five-item, and six-item scales for service provider and banking sector studies. Metawa and Almossawi's 1998 study on Islamic banking customers in Oman found high satisfaction with products and services, suggesting bankers should develop professionalism and competency for profitable customer relations.

Naseer, Jamal, and Al-Khatib's 1999 study found customer awareness of Islamic banking products but dissatisfaction with some services. Customer satisfaction significantly impacts their decision to stay and maintain loyalty. Customer satisfaction is influenced by perceived performance and cognition, with service quality being a key factor. It leads to repeat purchases, loyalty, positive word of mouth, and long-term profitability (Wirtz, 2003).

2.3 Bank Efficiency

An organization is a structured group with a purpose. Money, people, data, and expertise are combined to achieve objectives. Companies are founded to make money ethically and legally. A bank is one of many businesses offering a range of products and services. Organizations are goal-oriented, boundary-maintained, socially constructed human activity systems (Aldrich, 1979). Every company tries to enhance staff productivity for better outcomes. Performance evaluation lets the company compare its efficiency and effectiveness over time to its goals or market leader to fix its weaknesses. Researchers examined many organizational success indicators (Dess & Robinson, 1984).

Banks must achieve numerous performance requirements to thrive in the globalized and competitive market. An organization's profitability, liquidity, management performance, leverage, market share, productivity, innovation, product quality, human resources, and sales volume are evaluated. Pakistan's Islamic banks highlighted the necessity for performance evaluation to compete with conventional banks.

Rashid et al. (2003) assessed firm performance using return on assets, return on investments, and current ratios. Financial ratios including profitability, liquidity, leverage, asset utilization, and growth may be found in an organization's financial records (Ho and Wu, 2006). Organizational innovation and performance were examined using return on sales, assets, equity, and market-to-book ratio (Kuo and Wu, 2007).

2.3.1 Analyzing Islamic Financial Institutions' Outcomes

In addition to traditional banks, Islamic financial institutions face competition from one another. The researchers used a wide variety of metrics, including banks' profits and losses, liquidity, management effectiveness, market share, sales volume, innovations, productivity, human resources, product, and service quality, etc., to evaluate the banks' operations. The success of a bank may be evaluated using a variety of qualitative and quantitative metrics. A relevant metric should be used to evaluate performance. It demonstrates the leadership's confidence in the organization's capacity to succeed and move forward. Because of the relative ease with which basic computations and data manipulation may be performed, it should be somewhat controllable. It is essential that it be quantified and operationalized so that it can be measured. Since it should lead to substantial improvements, it has the potential to be material (Ernst & Young, 1995).

The effect of quality on productivity was studied by Chapman et al. (1997). Financial statistics, such as profit margin, return on assets, and labor productivity, were used to assess the business's efficiency. It is discovered that strategic quality indicators positively correlate with financial performance metrics. It has been said that domestic banks' personnel do not have a positive impact on the bottom line. However, foreign bank staff made large contributions to profits (Arby, 2003).

2.3.2 Banks in Pakistan: Their Recent Performance

The banking industry in Pakistan has grown rapidly in recent years. The banking industry's financial performance was exceptional because of high levels of profitability, solid solvency, effective asset management, improved risk management practices, and ongoing enhancements to service quality. Total banking assets reached the limit of Rs. 4 trillion together with Rs. 100 billion pretax earnings. The overall assets of Islamic banks grew by an astonishing 67% during this time. According to the SBP (2007), the Islamic banking system has shown to be a viable alternative to the Western banking system. Using data from the years 2000 to 2006, figure 2.3 lays out the following statistics on the efficiency of Pakistan's banking sector.

	CY00	CY01	CY02	CY03	CY04	CY05	CY06
PSCBs	902	947	878	959	653	724	836
LPBs	513	566	967	1,212	1,980	2,483	3,102
FBs	281	324	280	272	304	339	224
CBs	1,696	1,836	2,125	2,443	2,937	3,547	4,162
SBs	112	106	98	100	106	113	120
All	1,808	1,942	2,223	2,542	3,043	3,660	4,282
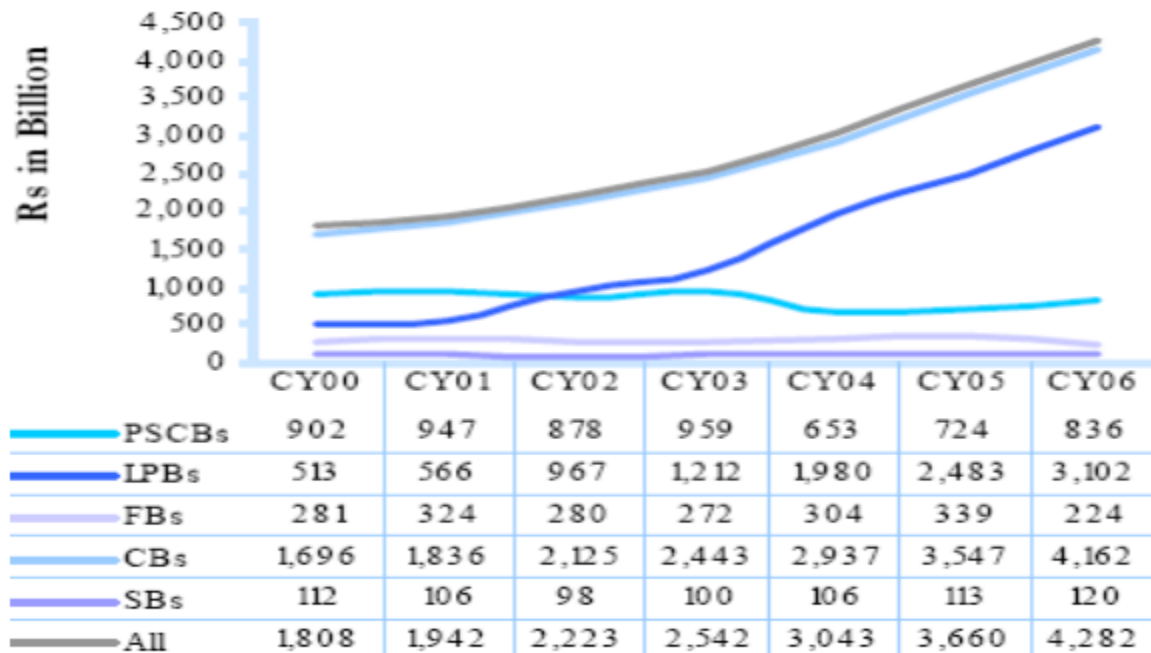
CY: Calendar Year; PSCBs: Public Sector Commercial Banks; LPBs: Local Private Banks; FBs: Foreign Banks; CBs: Commercial Banks; SBs: Specialized Banks

Figure 2.3: The Entire Bank Sector's Assets

Source: SBP, 2007

Islamic banks are effectively competing with conventional banks throughout the world and have a huge potential to replace the old Riba-based banking system. In recent years, Islamic banks in Pakistan, which provide an alternative financial system, have expanded rapidly. The

114 percent annual growth rate of Islamic banks in terms of size and structure is indicative of the strong rivalry between the two banking streams. With deposits totaling Rs. 83.7 billion, the total assets are rising at a healthy 67% per year (SBP, 2007). The expansion of Islamic banking in Pakistan is seen in the figure 2.4.

	2003		2004		2005		2006	
Sources	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Deposits	8397	65	30185	68	49932	70	83740	70
Borrowings	1899	15	6559	15	9006	13	10843	9
Capital & Other Funds	1994	15	5123	12	7811	11	16348	14
Other Liabilities	625	5	2276	5	4745	7	8363	7
Total	12915	100	44143	100	71493	100	119294	100
Uses **Financing**	8652	67	27535	62	45786	64	65613	55
Investments	1242	10	2007	5	1854	3	7328	6
Cash, Bank Balance, Placements	1978	15	11900	27	19314	27	31358	26
Other Assets	1042	8	2701	6	4539	6	14996	13
Total	12915	100	44143	100	71493	100	119294	100

Source: SBP, 2007

Figure 2.4: Finances: Income and Expenditures of Islamic Banks in Pakistan (2003-2006)

Dick (2005) revealed that market concentration is not impacted by its size. The impact of dominant banks on markets of varying sizes is about the same. According to the research, leading financial institutions prioritize and improve service quality. The results of a performance review may help a company make more educated and strategic choices. When a company or organization makes better judgements, it benefits the bottom line and the stock price for everyone involved (Crider, 2007).

2.4 Banking Customers' Opinions on Service Quality

Islamic banks in Pakistan have experienced a remarkable 114% annual growth rate, capturing a reasonable market share. Six full-fledged Islamic banks and 13 conventional banks have started partial Islamic banking practices (SBP, 2006). The banking industry's growth is influenced by legislative, technological, and structural changes. Research shows a strong link between service quality and customer satisfaction. Islamic banking practices have increased loan supply, and government intervention is crucial for managing funds. The integration of the banking sector faces challenges (Makiyan,2003).

Levesque and McDougall's 1996 study found that service quality significantly impacts customer satisfaction in financial institutions. An empirical study in Jordan found that while customers are aware of Islamic bank products, they express dissatisfaction with some services. This highlights the importance of service quality in determining customer satisfaction (Naseer, Jamal and Al-Khatib, 1999). Bahia and Nantel developed BSQ, an alternative service quality scale, and compared it with SERVQUAL in retail banking. They found BSQ dimensions are more reliable. A survey showed customer perception of service quality differs based on demographic characteristics (Urban and Pratt, 2000).

Oppewal and Vriens (2000) studied the relationship between service quality and customer satisfaction using the SERVQUAL instrument. They found that customer satisfaction significantly impacts their decision to stay with a service provider and reduces negative behavioral intentions (Athanassopoulos, Gounaris and Stathakopoulos, 2001). Kayis, Kim, and Shin's 2003 study on Australian and Korean banks found a significant correlation between perceived service quality and customer satisfaction, suggesting that organizations prioritize service quality for long-term business success (Wang *et al.* 2003).

Jamal (2004) found customer satisfaction with self-service technologies in retail banking, with financial sector becoming more conscious of product quality. Duncan and Elliott (2004) found a positive correlation between financial performance and customer service quality (Duncan and Elliott, 2004). Curry and Penman (2004) emphasize the importance of service quality in the banking sector for differentiation and customer retention. They suggest proper resource

allocation and understanding customer needs and expectations are crucial for financial institutions (Joseph *et al.* 2005).

2.5 How Satisfied Customers Are, How Well Banks Perform, and How Good the Service Is

Few studies explore the relationship between service quality, customer satisfaction, and bank performance. Banks, dominant financial market players, benefit from Islamic banking practices. Improving service performance appraisal systems aligns with customer satisfaction. Financial performance can be measured using traditional accounting methods and risk measures (Duncan and Elliott, 2004). Swan and Combs (1976) suggested satisfaction is linked to performance, with dissatisfaction occurring when performance falls short. Service firms often struggle with understanding customer expectations, but few studies explore the direct relationship between service quality and profitability (Zeithmal *et al.* 1993).

The banking industry's expansion necessitates a study on service quality and customer satisfaction, which in turn affects bank performance. Studies show that increased service quality leads to increased customer satisfaction, loyalty, and profitability, emphasizing the importance of customer focus (Hallwell, 1996). Newman and Cowling (1996) compared two UK retail banks and found that service quality is crucial for banks' productivity, profitability, and cost reduction. They suggested that bank performance is measured by customer relations and customer retention, with success attributed to service quality programs (Yavas, and Shemwell, 1997).

Ebrahim and Joo (2001) found Islamic banks in Brunei Darussalam have performed well, capturing 11.5% of the market share. However, customer satisfaction with banking services has declined, suggesting service quality improvement is necessary (Allred, 2001). The study by Starkey, Williams, and Stone (2002) found poor customer management performance in the retail banking and insurance industries in Malaysia. Customer satisfaction mediated service quality and loyalty, and service quality significantly influenced bank reputation and financial performance (Duncan and Elliot, 2002).

2.6 Theories, Hypotheses, and a Possible Conceptual Model

The banking industry's expansion necessitates a study of service quality's impact on customer satisfaction and bank performance. Islamic banks aim to compete with conventional banks by offering diverse products. In Pakistan, banks face intense competition to attract customers. However, global banking faces challenges from legislation, technology, and structural changes (Angur *et al.* 1999). The SERVQUAL model, developed by Parasuraman et al., identifies five dimensions of service quality, which in turn leads to increased customer satisfaction and reduced erosion. This relationship is crucial for bank managers to understand their customers, as their perception of service quality varies based on factors like gender, ethnicity, education, and income (Imam, 1987; Anakwue, 2002; Omar and Ogenyi, 2004).

Boyd et al.'s 1994 study found a significant difference in service quality perception between white and low-income customers, highlighting gender roles and responsibilities influenced by cultural, social, and religious factors, with men having more access to banking, education, and insurance facilities (Ajakaiye and Olomola, 2003). Ayadi (1996) found that female bank customers engage in less banking activities due to lower income. Customer perception of service quality is crucial for market competition and is influenced by cultural values and beliefs. Gender affects customer perception, satisfaction, and behavioral outcomes. Studies also show differences in choice factors among male and female bank customers, suggesting a significant gender-based difference in bank customer perception.

H 1: Customers' opinions on the quality of a bank's services vary widely depending on whether they are male or female.

According to Curry and Penman (2004), distinguishing oneself in the market and keeping pleased clients around for the long haul depends on providing high-quality service. The financial industry, however, requires an awareness of clients' evolving wants and demands (Joseph et al., 2005). It is stated that satisfying customers' expectations is vital to boost customers' happiness by delivery of better-quality services (Gao, Jia and Zhao, 2006). Researchers have discovered a correlation between service quality and happy consumers (Razak, Chong, & Lin, 2007). The

studies give support for the hypothesis that there are causal links between service quality and satisfaction levels among Pakistani bank customers.

H 2: In Pakistan's banking industry, customers are more satisfied the higher the level of service they get.

There is a correlation between service quality, productivity, and profitability, as discovered by Newman and Cowling (1996). The success of banks might be evaluated by how well they build and keep client relationships. Implementing service quality programs to keep clients happy is a good indicator of a bank's development (Yavas et al., 1997). A favorable correlation between service quality and financial institution success is a plausible hypothesis.

H 3: In Pakistan, a good association exists between service quality and bank success.

Customer happiness drives organizational success, notably in banking due to increased competition. Customer satisfaction and corporate performance have been studied by Anderson et al. (1994), Wiele et al. (2002), Yeung et al. (2002), and Al-Hawari and Warid (2006). Unfortunately, there is little study on bank service quality and customer satisfaction. Ebrahim and Joo (2001) say Islamic banks excel. They recommend Islamic banks diversify their offerings according to Sharia'h. Duncan and Elliot (2002) showed a substantial link between service quality and corporate success. Thus, better service yields higher earnings (Kotler, 2003). Mukherjee, Nath, and Pal (2003) found a link between bank performance, resource allocation, and service quality. The financial institution may earn from the profit-and-loss agreement. This may reduce risk management and monitoring costs for banks (Ghannadian & Goswami, 2004). The literature suggests that Pakistani banks would succeed if consumers were delighted.

H 4: In Pakistan, there is a favorable correlation between happy customers and successful banks.

According to Gao, Jia, and Zhao (2006), delivering better service than competitors may boost customer satisfaction and loyalty. According to Al-Hawari and Ward (2006), client satisfaction mediates the relationship between service quality and bank financial performance in Australia. Customer satisfaction is linked to monetary and intangible rewards (Gritti and Foss, 2007).

According to a study (Tripe, 2007), customer happiness may increase bank efficiency by narrowing branch efficiency ratings. Research (Akroush, 2008) shows that quality implementation activities moderate the relationship between service quality and bank performance. Customer pleasure may mediate service quality and bank efficiency, according to research.

H 5: In the banking industry of Pakistan, the connection between service quality and bank performance is mediated by customers' level of satisfaction.
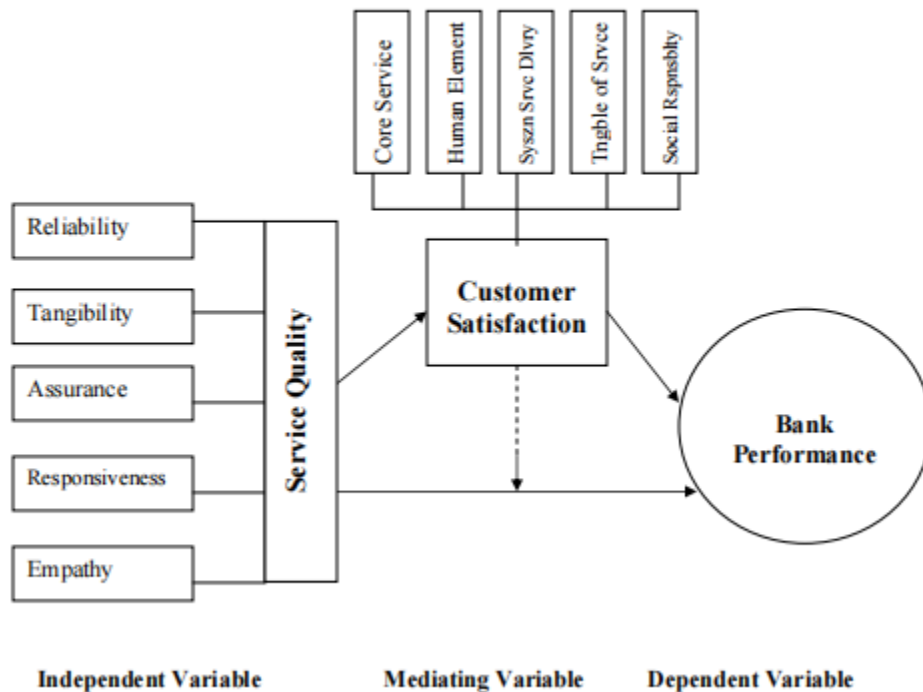
Figure 2.5: The Relationship Between Service Standards, Customer Happiness, and the Success of Pakistani Banks

Chapter 3
Data Analysis and Methodology

3.1 Research Design

This study examines how service quality and customer satisfaction affect bank profits. This study compares Islamic and conventional banks in Pakistan to see how different variables affect the financial sector. It examines several Pakistani literature-based assumptions. This study aimed to investigate what variables most affect bank customer satisfaction and how they affect bank performance. Pilot interviews with bankers, academics, professionals, and consumers from both groups preceded the official survey. Since this was the first time this idea was tested, a preliminary test was done to verify its practicality in Pakistan.

One of the surveys was randomly assigned to different bank branches (IB and CB). Since Sureshchander et al. (2002), Jamal (2004), and Kumar (2005) used stratified random sampling, we did too. Data analysis with SPSS 15.0 and VPLS 1.04 included regression, independent t-test, Pearson's correlation, and structural equation modelling. Regression was possible with the sample size (Rosco, 1975; Hair et al., 1992; Lee, 2003; Jamal, 2004; Morris, 2005). The model's validity was tested using structural equation modelling (SEM). We employed Partial Least Square to assess the conceptual model against earlier studies (Bollen, 1989; Bullock, 1994; Thomson, 1995; Chin et al. 1998; Gefan et al. 2000, 2005).

Islamic and conventional bank clients and employees from 8233 Pakistani branches (341 IB and 7892 CB) make up the study population (SBP, 2020). All 5671978 sample members were bank customers (468 693 IB and 5203385 CB). The banking sector employed 69056 individuals (3575 IB and 65481 CB). Current clientele and bank staff of selected Pakistani financial institutions provided primary data. This study randomly selected 144 bank branches (72 IB and 72 CB) in 12 major Pakistani cities to collect data from respondents using stratified random selection.

Pakistani Islamic and traditional bank customers and employees were surveyed using a well-designed questionnaire. By interviewing bank managers, specialists, and customers and analyzing relevant literature, the research instrument was developed for Pakistan. Self-administered questionnaires were given to a random sample of Islamic and conventional bank customers.

I also utilized "personal contact" to reach respondents. The researcher explained the survey and questionnaire's aims, terminology, and responder expectations. Pakistani Islamic and conventional bank customers and employees completed self-administered questionnaires to gather data. Wei and Nasir (2006) recommend using a questionnaire to examine how customer service management affects Malaysian banks and financial enterprises' performance.

3.1 Pilot Test

A pilot study involving 408 customers and employees from Pakistan's Islamic and conventional banks was conducted before the survey.

Constructs/Variables of the Study	No. of Items	Cronbach's Alpha Coefficient	Guttman Split Half-Coefficient
CB Service Quality			
CB Tangibility	4	0.750	0.757
CB Reliability	5	0.829	0.800
CB Responsiveness	4	0.823	0.813
CB Assurance	4	0.769	0.739
CB Empathy	5	0.841	0.699
CB Customer Satisfaction			
CB Core Service	4	0.825	0.803
CB Human Element	8	0.917	0.913
CB Systemization of Service Delivery	5	0.875	0.829
CB Tangibles of Service	6	0.840	0.836
CB Social Responsibility	6	0.879	0.837
CB Performance	8	0.745	0.711

IB Service Quality			
IB Tangibility	4	0.849	0.858
IB Reliability	5	0.837	0.764
IB Responsiveness	4	0.754	0.769
IB Assurance	4	0.759	0.733
IB Empathy	5	0.827	0.730
IB Customer Satisfaction			
IB Core Service	4	0.843	0.824
IB Human Element	8	0.898	0.886
IB Systemization of Service Delivery	5	0.865	0.845
IB Tangibles of Service	6	0.855	0.794
IB Social Responsibility	6	0.867	0.858
IB Performance	8	0.630	0.624

Figure 3.1: Statistics on the Trustworthiness of Measures

The pilot study's reliability coefficients were assessed using Cronbach's alpha and Guttman Split-Half, with coefficients ranging from moderate to very high. Service quality of conventional banks was measured using a 22-item scale with Cronbach alpha (0.946) and Guttman Split-Half (0.906). Customer satisfaction was assessed using a 29-item scale with Cronbach alpha (0.968) and Guttman Split-Half (0.947). Performance was determined using an eight-item scale with Cronbach alpha (0.745) and Guttman Split-Half (0.711). The study evaluates service quality, customer satisfaction, and performance of an Islamic bank using a 22-item scale with Cronbach alpha and Guttman Split-Half, 29-item scale with Cronbach alpha and Guttman Split-Half, and eight-item scale with Cronbach alpha and Guttman Split-Half.

Constructs/Variables	Skewness	Kurtosis
CB Tangibiles	-.580	.019
CB Reliability	-.829	.408
CB Responsiveness	-.920	.365
CB Assurance	-.837	.353
CB Empathy	-.927	.618
CB Service Quality	-.996	.777
CB Core Service or Service product	-.580	-.439
CB Human Element of Service Delivery	-.785	-.225
CB Systemiztion of Service Delivery or non-Human element	-.673	.150
CB Tangiblies of Services (Servicescapes)	-.632	-.349
CB Social Responsibility	-.508	-.669
CB Bank Performance	-.115	-.165
CB Customer Satisfaction	-.691	-.415
IB Tangibles	-.507	.003
IB Reliability	-.343	.147
IB Responsiveness	-.263	-.461
IB Assurance	-.095	-.679
IB Empathy	-.112	-.800
IB Service Quality	-.119	-.937
IB Core Service or Service	-.502	.802
IB Human Element of Service	-.440	.093
IB Systemization of Service Delivery or non-Human element	-.525	.084
IB Tangibles of Service (Servicescapes)	-.609	.032
IB Social Responsibility	-.451	-.088
IB Customer Satisfaction	-.448	.322
IB Bank Performance	-.211	-.023

Figure 3.2: Statistical Descriptions

The figure demonstrates the normality of data for the pilot study, indicating skewness and kurtosis in service quality, customer satisfaction, and bank performance for Islamic and conventional banks.

3.3 Key Research

This study used a stratified random sample of 1728 people who interacted with 144 conventional and Islamic bank locations. The population was divided into IB and CB banks to monitor responses. Researchers then randomly selected strata respondents and merged their replies to generate the final sample. Random customers and employees from each bank group were questioned. Islamic and non-Islamic banks were separated. Randomly selected bank employees from each division were asked about the institution's performance. It enabled the researcher to examine Islamic and conventional banking systems to see whether service quality, customer satisfaction, and bank performance were related.

Participants completed a standardized questionnaire at their leisure to submit information. Bank workers were asked to evaluate their institutions' performance, while consumers were asked about service quality and satisfaction. Islamabad, Rawalpindi, Lahore, Karachi, Quetta, Peshawar, Gujranwala, Sargodha, Multan, Sialkot, Gujrat, and Faisalabad were polled. The research focuses on 20 of Pakistan's most populous cities (World Gazette, 2009), which house over 20% of the country's population. The researcher plotted customer and staff answers from a sample of Pakistani Islamic and conventional banks in Figure 3.3.

Islamic Banks	Conventional Banks
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
Emirates Global Islamic Bank Limited	Bank Alfalah Limited

Figure 3.3: Sample of Banks for the Research

This research collected data from IB and CB customers and staff using an English-language structured questionnaire. After sampling 12 of Pakistan's major cities, the researchers found 144

bank branches (72 IB and 72 CB) nationwide. Approximately 2300 questionnaires were distributed to responders. After completion, 1,728 questionnaires were applicable for analysis. SPSS 15.0 was used to enter and arrange data for statistical analysis to test the study's hypotheses. This study compares Islamic and traditional banks in Pakistan using PLS-based SEM to measure service quality, customer satisfaction, and financial performance. The SBP's list of banks was randomly selected to include Islamic and regular banks. The researcher then collected branch locations and addresses from each bank's headquarters and randomly selected one branch from each city. The same method was used to collect customers' names, addresses, and phone numbers from a random branch. From a complete list of consumers and personnel at designated branches, 12 randomly selected responses (6 customers and 6 workers) were recorded. Figure 3.4 shows city branch counts and answers.

City	Total CB Branches	Total IB Branches	Selected Branches	Customers from each Branch	Employees from each Branch
Islamabad	78	18	6*	6**	6***
Karachi	374	107	6	6	6
Lahore	241	67	6	6	6
Peshawar	76	19	6	6	6
Quetta	45	08	6	6	6
Rawalpinidi	143	16	6	6	6

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Multan	73	12	6	6	6
Gujranwala	96	07	6	6	6
Faisalabad	164	18	6	6	6
Gujrat	88	07	6	6	6
Sialkot	101	07	6	6	6
Sargodha	79	06	6	6	6

*6 Branches of IB and 6 Branches of CB from each city
** 6 Customers of IB and 6 customers of CB from each branch
***6 Employees of IB and 6 employees of CB from each branch

Figure 3.4: Specifics on Office Locations and Survey Takers (by City)

3.4 Strategies and Tools

A survey in Pakistan measured the relationship between service quality, customer satisfaction, and performance in the banking sector using SERVQUAL instrument, involving customers' responses on various aspects of service quality. The SERVQUAL model, developed by Parasuraman et al., collects customer feedback on service quality using 22 items categorized into five dimensions and assessed using a seven-point Likert scale. Sureshchander et al. (2002) studied customer satisfaction in the banking sector using a modified research instrument consisting of 29 items classified into five dimensions: core service, human elements, systematization, tangible service, and social responsibility. They evaluated customers' satisfaction levels on a seven-point Likert scale, ranging from 1 to 7 for all 29 items.

Studies have used non-financial measures to gauge organizational effectiveness and performance. Bank performance was measured using data from employees of selected banks, using a modified eight-item research instrument. Respondents ranked aspects like product quality, market share, internal process coordination, profitability, and personnel rotation. Bank performance was assessed using a five-point Likert scale.

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3.5 Consistence and Trustworthiness of the Data

The study's constructs and variables' internal reliability and consistency were assessed using Cronbach's alpha and Guttman Split-Half coefficients. The coefficients ranged from 0.579 to 0.961, indicating moderate to high reliability. The researcher used criteria ranging from 0.40 to 0.60, with literature suggesting above 0.60. Cronbach's alpha above 0.70 indicates construct reliability. Skewness indicates asymmetrical data distribution, with a coefficient ranging from +1 to -1. Kurtosis measures the curve's flatness or convexity, with three possibilities: 0 for normal, no flatness, or peaked, and $\beta > 3$ for more peaking or flattering.

Constructs/Variables of the Study	No. of Items	Cronbach's Alpha Coefficient	Guttman Split Half-Coefficient
IB Service Quality			
IB Tangibility	4	0.841	0.834
IB Reliability	5	0.809	0.774
IB Responsiveness	4	0.784	0.744
IB Assurance	4	0.741	0.705
IB Empathy	5	0.820	0.777
IB Customer Satisfaction			
IB Core Service	4	0.867	0.852
IB Human Element	8	0.891	0.883
IB Systemization of Service Delivery	5	0.833	0.765
IB Tangibles of Service	6	0.855	0.815
IB Social Responsibility	6	0.839	0.832
IB Performance	8	0.597	0.579

Figure 3.5: Statistics on the Trustworthiness of IB's Scales

The figure shows the reliability coefficients of constructs/variables used for Islamic banks. Service quality, Tangibility, Reliability, Responsiveness, Assurance, Empathy, Performance, and Customer Satisfaction were measured using 22 items scales. The reliability coefficients were

Cronbach alpha (0.944) and Guttman Split-Half (0.921), with a range of 0.841 to 0.744 and 0.741 to 0.705 respectively. The study identifies four key dimensions of customer satisfaction: core service, human element, systemization of service delivery, tangibles of services, and social responsibility, with Cronbach alpha and Guttman split-Half values.

Constructs/Variables of the Study	No. of Items	Cronbach's Alpha Coefficient	Guttman Split Half-Coefficient
CB Service Quality			
CB Tangibility	4	0.830	0.821
CB Reliability	5	0.831	0.775
CB Responsiveness	4	0.774	0.728
CB Assurance	4	0.752	0.707
CB Empathy	5	0.826	0.738
CB Customer Satisfaction			
CB Core Service	4	0.801	0.791
CB Human Element	8	0.892	0.869
CB Systemization of Service Delivery	5	0.845	0.790
CB Tangibles of Service	6	0.848	0.817
CB Social Responsibility	6	0.853	0.805
CB Performance	8	0.715	0.711

Figure 3.6: Numbers that show how reliable the scales are for CB

The figure shows the reliability coefficients of constructs/variables used for conventional banks, indicating that service quality is measured using a 22-item scale consisting of five dimensions. The reliability coefficients are Cronbach alpha (0.940) and Guttman Split-Half (0.885), with Tangibility dimension having Cronbach's alpha (0.830) and Guttman Split-Half (0.821). The study measures performance of conventional banks using an 8-item scale with Cronbach alpha (0.715) and Guttman Split-Half (0.711), and customer satisfaction using a 29-item scale with 5 dimensions. The reliability coefficients for customer satisfaction are Cronbach's alpha (0.961) and Guttman Split-Half (0.938). The study's Cronbach alpha coefficients align with previous research, with coefficients ranging from 0.67 to 0.83.

Chapter 4
Results and Discussion

4.1 Results

Descriptive statistics are used to offer an overview of the population being studied. To test how well the hypothesized relationships between the conceptual model's elements hold up, researchers turn to regression analysis. To analyze the connection between banks' performance in Pakistan and the satisfaction of their customers, the researcher used t-tests, Pearson correlations, Partial Least Square models, and Structural Equation Models.

There are seven parts to this chapter devoted to presenting the findings. First, we have some basic demographic information like age, gender, education, employment, monthly income, and banking habits. In Part II, we provide descriptive statistics for a subset of the study's constructs and variables. The hypotheses are put to the test in section III using statistical methods like the Independent T-test and Pearson's correlation. The regression models used to determine the strength of the association between variables are shown in section V. Model testing using PLS-based SEM is presented in Section VI, followed by a discussion in Section VII.

4.2 Background Information about the Participants

The demographic information obtained by the researcher included gender, age, marital status, degree of education, employment, monthly income, and banking habits of the respondents. Men are seen as superior in Pakistani society. They are expected to engage in economic pursuits that would allow them to provide for their families financially. The following displays respondent demographics.

Demographics	Percentage (IB)	Percentage (CB)
Gender		
Male	78.90	75.90
Female	21.10	24.10
Marital Status		
Single	44.20	53.90
Married	55.80	46.10
Age		
18-24 Years	29.90	39.10
25-34 Years	39.10	27.50
35-44 Years	19.70	13.20
45-54 Years	7.90	13.70
55 Years and above	3.50	6.50
Educational Level		
Primary	0.90	2.10
Secondary	6.90	6.70
College	28.90	22.20
University-Master	53.50	60.20
University-M.Phil	4.90	4.20
University-PhD	3.00	1.40
Others	1.90	3.20
Occupation		
Students	10.30	23.60
Businessmen	30.30	23.10
Education/Medical Services	8.60	12.50
House Wife	6.40	4.40
Bankers	19.40	10.60
Professionals/Senior Management	11.90	13.90
Others	5.80	6.30

Monthly Household Income

Under Rs. 10 000	10.40	16.40
Rs. 10 000 to Rs. 20 000	22.50	18.10
Rs. 20 000 to Rs. 30 000	21.80	23.60
Rs. 30 000 to Rs. 40 000	20.40	15.00
Rs. 40 000 to Rs. 50 000	8.30	12.00
Rs. 50 000 and above	16.70	14.80

Bank Usage Pttern-(Length of Bank Services Utilization)

Less than a Year	29.20	15.50
1 up to 3 Years	53.50	34.00
3 Years up to 5 Years	11.80	20.10
5 Years and above	5.60	30.30

Figure 4.1: A Breakdown of the Sample's Demographics

The study reveals that male customers are more likely to use Islamic Banks (IB) than Central Banks (CB), with 79% of respondents being male and 21% being female. Social, cultural, and religious factors also influence banking activities. Marital status is a significant demographic factor, with 56% of married customers dealing with IB and 44% using CB products in Pakistan. Young and mature customers are more interested in IB, while young people are more inclined towards CB. Banks customers' educational profiles reveal that most IB customers have a university-master's degree (53.50%), followed by college graduates (22.90%). Businessmen (30.30%), bankers (19.40%), and professionals (11.90%) prefer IB, while students and businessmen are equally interested in CB (23.30%). High-income customers (16.70%) prefer IB.

Table 5.1 reveals customer usage patterns, with 55.30% of IB customers banking for 1 to 3 years with their existing bank, followed by less than a year experience (27.20%). CB customers have long-term relationships with their existing banks (34%), with 30.30% having 5 years or more

experience. Islamic Banks are new entrants, while conventional banks have been in operation since 1947.

4.3 Data Characterization for the Variables

	Skewness	Kurtosis
CB Tangibiles	-.701	-.072
CB Reliability	-.904	.778
CB Responsiveness	-.750	.208
CB Assurance	-.681	.259
CB Empathy	-.908	.710
CB Service Quality	-.858	.429
CB Core Service or Service product	-.822	.307
CB Human Element of Service Delivery	-.839	.249
CB Systemiztion of Service Delivery or non-Human element	-.813	.610
CB Tangiblies of Services (Servicescapes)	-.781	.429
CB Social Responsibility	-.771	.295
CB Bank Performance	-.065	-.142
CB Customer Satisfaction	-.859	.300
IB Tangibles	-1.010	.870
IB Reliability	-.552	.132
IB Responsiveness	-.663	.018
IB Assurance	-.473	-.012
IB Empathy	-.452	-.399
IB Service Quality	-.523	-.410
IB Core Service or Service Product	-.923	.591
IB Human Element of Service Delivery	-.642	.153
IB Systemization of Service Delivery or non-Human Element	-.882	.682
IB Tangibles of Service (Servicescapes)	-.817	.343
IB Social Responsibility	-.629	-.023
IB Customer Satisfaction	-.719	.112
IB Bank Performance	-.424	.336

Figure 4.2: Analysis of Variables for Skewness and Kurtosis

The skewness and kurtosis for the primary study's constructs and variables are shown in Figure 4.2. Dimensions of service quality, customer happiness, and bank performance all show skewness and kurtosis for both Islamic and traditional financial institutions.

	Min.	Max.	Mean	S.D
CB Tangibiles	1.25	7.00	4.9854	1.193
CB Reliability	1.20	7.00	4.9967	1.042
CB Responsiveness	1.25	7.00	4.8958	1.099
CB Assurance	1.50	7.00	5.0465	1.029
CB Empathy	1.00	6.80	4.8678	1.075
CB Service Quality	1.65	6.54	4.9584	.9340
CB Core Service or Service product	1.50	6.75	4.9160	1.061
CB Human Element of Service Delivery	1.63	6.63	4.9354	1.007
CB Systemiztion of Service Delivery	1.40	7.00	5.0011	1.001
CB Tangiblies of Services (Servicescapes)	1.50	6.83	4.9093	.9854
CB Social Responsibility	1.67	6.83	4.8611	1.008
CB Bank Performance	1.88	5.00	3.7080	.5886
CB Customer Satisfaction	1.72	6.50	4.9246	.9091
IB Tangibles	1.50	7.00	5.2597	1.141
IB Reliability	1.40	7.00	5.1406	.9949
IB Responsiveness	1.75	7.00	5.1715	1.031
IB Assurance	1.75	7.00	5.3194	.9454
IB Empathy	1.80	7.00	5.1583	1.017
IB Service Quality	2.42	6.72	5.2099	.8972
IB Core Service or Service Product	1.50	7.00	5.1160	1.131
IB Human Element of Service Delivery	1.88	6.88	5.1896	.9589
IB Systemization of Service Delivery	2.00	7.00	5.2622	.9365
IB Tangibles of Service (Servicescapes)	2.00	7.00	5.2352	.9866
IB Social Responsibility	2.00	6.83	5.1296	.9615
IB Customer Satisfaction	2.23	6.69	5.1865	.8867
IB Bank Performance	2.00	5.00	3.7792	.5026

Figure 4.3: Measures of the Variables' Characteristics

Descriptive statistics for the study's constructs and variables are shown in Figure 4.3. This table displays the lowest, maximum, mean, and standard deviation of selected Islamic and conventional banks' service quality, customer satisfaction, and bank performance constructs and variables.

4.4 Verifying Hypotheses

According to Levene's statistics (2.065), variance equality is not significant (p=0.151). Therefore, we assume all variances are equal. Significantly, the t-statistic for equality of means is 2.968, with a 2-tailed p-value of 0.003. Male and female Pakistani customers see Islamic bank service differently. The study demonstrates that male clientele consistently rate Islamic bank services higher. Accepting the null hypothesis. Gender, color, education, and family income affect how consumers rate a company's service (Urban & Pratt, 2000).

According to Levene's statistic (0.721), variance equality is not statistically significant (p= 0.396). Therefore, we assume all variances are equal. The t-statistic of -0.558 is not statistically significant since the mean equality p-value is 0.577 (2-tailed). Traditional bank customers rate service similarly for men and women. The null hypothesis fails. Consumer ratings of service quality help managers stand out in the market (Hoffman and Bateson, 2002).

A strong positive association (r = 0.698) was found between IBSQL and IBCS. It supported the idea that Pakistani Islamic banks with better service had happy clients. Razak, Chong, & Lin (2007) found a favorable association between service quality and customer satisfaction.

Table 5.6 shows a positive correlation (r = 0.696) between CBSQL and CBCS. The findings supported the idea that Pakistani traditional banks with great service quality had pleased clients. When banks deliver good service, customers are happier. Pakistani study (Jamal and Naseer, 2003) found that good service makes consumers pleased. Service quality must meet customer expectations to increase satisfaction (Gao, Jia, & Zhao, 2006).

Service quality and financial performance are correlated with Pakistani Islamic banks, supporting the null hypothesis. Results show CBSQL and CBPRF are linked. In Pakistan, conventional banks' performance is little correlated with service quality. Since the results contradict the null hypothesis, we argue that customer happiness negatively affects Islamic bank performance. However, CBCS and CBPRF correlate positively and statistically. This supports the concept that pleased clients drive conventional bank performance.

4.5 Outcomes of Regression Models

The coefficient of determination indicates 0.691 model dependability. Islamic bank clients' service quality and contentment are linearly connected (p0.0001). The strong F-statistic (21.227) suggests that the dependent variable (IBCS) accounts for the variation (effect) of the independent variable (IBDSQL). The model also has favorable Durbin Watson values (1.821). The regression model is IBCS = 0.248 + 0.360(Tgty) + 0.239(Rlty) + 0.372(Rspv) + 0.151(Asnc). Service quality—tangibility, reliability, responsiveness, and assurance—significantly affects customer satisfaction in Islamic financial institutions (p0.005). Empathy does not impact customer satisfaction much (p=0.110).

Constant	Tgty	Rlty	Rspv	Asnc	Epty	R^2	F-Stat.	D.W. test
0.248	0.360	0.239	0.372	0.151	0.166	0.691	21.227	1.821
(0.493)	(0.135)	(0.113)	(0.139)	(0.112)	(0.091)			
[5.504]	[5.811]	[4.831]	[5.324]	[2.243]	[1.621]			
0.000	*0.000*	*0.003*	*0.000*	*0.028*	*0.110*		*0.000*	

Predictor (Constant), IBDSQL
Dependent Variable: IBCS

Figure 4.4: Executive Summary of the Linear Regression Model for the IBDSQL and IBCS (using SPSS data)

(Parenthetic coefficients, s.e., t-values, and italicized p-values)

The model shows a significant linear relationship between service quality dimensions and customer satisfaction in conventional banks. Four dimensions of service quality, namely tangibility, reliability, responsiveness, and empathy, have a significant impact on customer satisfaction, while assurance has no significant impact. The independent variable (CBDSQL) is appropriately explained in the dependent variable (CBCS).

The model shows a significant linear relationship between service quality and customer satisfaction in Islamic banks, with a coefficient of determination of 0.512 indicating goodness.

The F-statistics indicate that the independent variable (IBSQL) is adequately explained in the dependent variable (IBCS). The model shows a significant linear relationship between service quality and customer satisfaction in conventional banks, with a coefficient of determination of 0.495 and F-statistics of 65.595. The estimated regression model is CBCS = 0.808 + 0.822 (CBSQL), indicating a significant impact.

Constant	IBSQL	R^2	F-Statistics
3.835	0.026	0.002	0.121
(0.396)	(0.074)		
[9.676]	[0.347]		
0.000	0.729		0.729

Predictor (Constant), IBSQL
Dependent Variable: IBPRF

Figure 4.5: Synopsis of the Linear Regression Model for the IBSQL and IBPRF (using SPSS data)

(Parenthetic coefficients, standard errors, t-values, and p-values)

The results of the IBSQL-IBPRF model are shown in Figure 4.5. The coefficient of determination is 0.002, p-value (0.729) and F-statistics (0.121). The dependent variable (IBPrf) indicates the effect (variation) of the independent variable (IBSQL). Using this data, we can infer the following regression model: IBPRF = 3.835 + 0.026 (IBSQL). The quality of services provided by Islamic banks does not significantly affect their financial standing (p=0.729).

4.6 Model Evaluation Using SEM

This study utilized PLS-based Structural Equation Modeling (SEM) to examine the relationship between service quality, customer satisfaction, and bank performance in Pakistan. Bogazzi and Fornell (1982) highlighted SEM as a second-generation data analysis tool, utilizing LIZRAL and

PLS to accurately reflect complex variable relationships and mathematical modeling of variable interactions, offering theoretical and practical implications. PLS is a significant SEM technique used by researchers to examine the association among variables, examining the influence of relationships on cause-effect paths and being less affected by deviations from multivariate normal distribution.
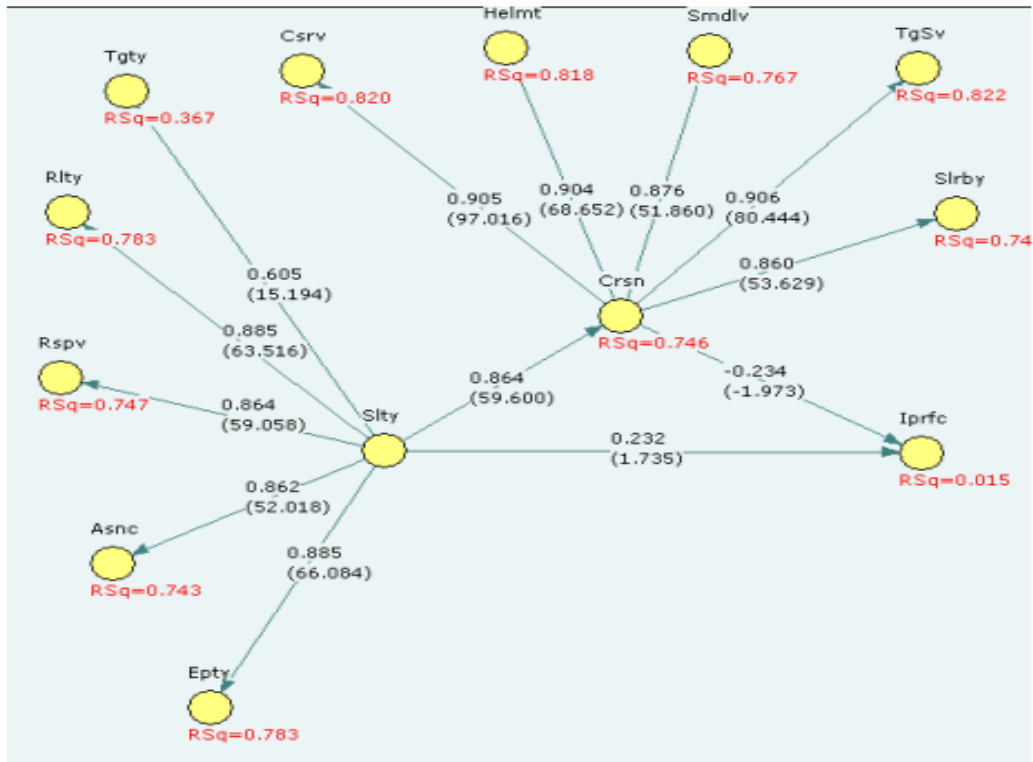
Figure 4.6: Results from a Structural Model Exploring the Connections between Slty, CrSn, and IPRF
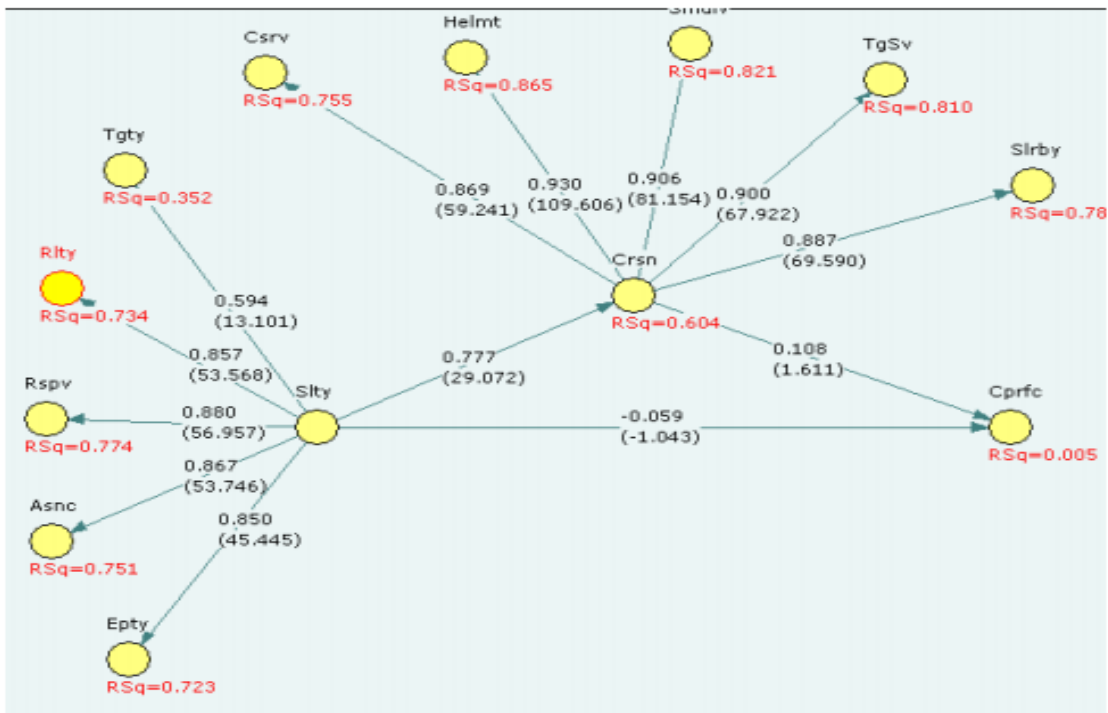
Figure 4.7: Conclusions from the Structural Model: The Interaction of Slty, Cr(VI), and CPRF

Structural equation modeling (SEM) and probability-based linear regression (PLS) are widely used techniques for testing complex models with multiple constructs and indicators. PLS is an effective estimation procedure used globally to estimate relationships between variables and constructs, producing path coefficients. Path coefficients estimate the mediating role of customer satisfaction and service quality. The bootstrap approach is used for statistical inference based on resampling methods, with several benefits, such as reducing the number of subjects in the data set. Fox (2002) suggests that bootstrap methods can be used for various sampling schemes, including stratified sampling and bootstrap resampling. These methods are simple and flexible, aiding in estimating standard errors and confidence intervals for complex parameters. They are effective for testing mediation, as they can be performed with small samples without normality.

4.7 Discussion

The study compared service quality, customer satisfaction, and bank performance of Islamic and conventional banks in Pakistan using primary data. Five hypotheses were developed based on literature, and demographic profiles were used to analyze respondents' gender, age, marital status, education, occupation, income, and bank usage patterns. The study reveals that male customers are more likely to use products and services from selected Pakistani banks than female customers, influenced by social, cultural, and religious factors. Male customers perform more banking activities and are predominantly aged 25-34 in Islamic banks and 18-24 in Central Banks. This aligns with literature suggesting that most customers dealing with Islamic banks are aged 25-35, irrespective of their education level and income.

Perception of service quality is crucial for market competition and is influenced by customers' values and beliefs. Bank customers' perceptions differ between Islamic and conventional banks, with male customers having significantly different perceptions than female customers. Demographic features play a significant role in banking experiences. There is also significant difference in customers' perception of service quality in different countries, but it differs based on demographic characteristics such as gender, ethnicity, education, and income.

The study found no significant difference in the perception of service quality offered by CB between male and female customers, indicating that lifestyle and demographic characteristics are crucial factors in retail banking. Additionally, there was no difference in the choice of bank products or services between male and female customers. The study found a strong positive relationship between service quality and customer satisfaction in the Pakistani banking sector. This is consistent with previous research, which found a strong positive relationship between IBSQL and IBCS. The relationship between SQL and CS is stronger in Islamic banks compared to conventional banks. The findings are consistent with literature, as Islamic banks offer products with a strong relationship between service quality and customer satisfaction. Previous studies have also reported a positive relationship between service quality and customer satisfaction in the banking sector.

The study found a weak positive relationship between service quality and customer satisfaction in Islamic and Conventional banks. This is consistent with literature indicating a positive relationship between service quality and organizational performance parameters. Additionally,

there is a direct and positive relationship between service quality and customer satisfaction, and a significant relationship between service quality and financial performance of banks. Another study found that service quality positively impacts bank performance.

The study examined the relationship between customer satisfaction and bank performance, hypothesizing a positive correlation. However, it revealed a weak negative correlation between satisfaction and performance in Islamic banks. The study highlighted a gap in customer orientation and awareness in the Pakistani banking sector, with customers showing dissatisfaction with some products.

The study found a significant positive correlation between customer satisfaction and the performance of conventional banks. This is consistent with previous research, which suggests that customer satisfaction leads to increased profitability, market share, and return on investments, and contributes to long-term profitability. The study reveals that four dimensions of service quality - tangibility, reliability, responsiveness, and assurance - significantly impact customer satisfaction in Islamic banking and conventional banks in Pakistan. However, empathy has no significant effect. The results align with previous studies in the banking sector, which have reported similar findings. The study also found no autocorrelation among the selected constructs/variables. The findings are consistent with previous research in the banking sector.

The study investigates the mediating role of customer satisfaction in service quality and bank performance in Pakistan. Results show that customer satisfaction does not mediate between service quality and performance in Islamic banks due to lack of customer orientation and awareness campaigns. This is consistent with literature and other studies, as customer satisfaction does not mediate between service quality and tangible aspects of the service environment.

Customer satisfaction mediates the relationship between service quality and performance in conventional banks in Pakistan, as shown by path coefficients of the structural model. Improved service quality can lead to satisfied customers, resulting in better profitability. This finding is supported by previous studies in the banking sector worldwide. The study compares Islamic and conventional banks in Pakistan based on service quality, customer satisfaction, and bank

performance. Five hypotheses were developed, and results show significant differences in customer perceptions based on gender. There is no significant difference in perceptions of service quality between conventional and Islamic banks. Service quality has a strong positive relationship with customer satisfaction, with Islamic banks resulting in greater satisfaction compared to conventional banks.

The relationship between service quality and bank performance is similar between Islamic and conventional banks, but there is a significant positive relationship between customer satisfaction and performance in conventional banks. The IB model shows customer satisfaction doesn't mediate the relationship between Islamic banks and service quality, while the CB model shows it mediates.

Chapter 5
Conclusion and Limitations

5.1 Conclusion

In the past several years, the banking and financial services industries throughout the globe have seen remarkable expansion. The banking sector's contribution to GDP in Pakistan rose as the market grew and new goods and services were introduced to fulfil consumer demand. There have been a plethora of new banking institutions opening in Pakistan. Similar options were made more accessible with the introduction of Islamic banking in 2002. Interest-free products, risk-sharing activities, and deep religious links have all contributed to the rise in popularity of Islamic banks. Islamic banks serve as a social service organization by facilitating a variety of interest-free goods and services that encourage commerce and economic activity consistent with Islamic teachings.

Competition among Pakistan's banks is fierce because of the country's mix of Islamic and traditional financial institutions, all of which are vying for consumers. This analysis compared the performance of Islamic and conventional banks in Pakistan to determine the factors that contribute to customers' overall satisfaction with their banking experiences. Considering the current literature, the researcher constructed and evaluated a model of service quality, customer satisfaction, and bank performance.

The findings indicate that consumers' opinions of Islamic banks' service quality vary considerably according to their gender. When it comes to traditional banks, however, male and female clients see the institution similarly. The data from the banking industry of Pakistan demonstrates a robust direct and positive association between service quality and customer satisfaction. The degree of relationship between service quality and client satisfaction is stronger in Islamic banks as compared to conventional banks.

The correlation between customer happiness and financial institution success is smaller than what has been shown for service quality. In the case of Islamic banks, however, empathy has been shown to have no effect on service quality, but the other four elements of service quality (tangibility, dependability, responsiveness, and assurance) do. Assurance has no significant effect on customer satisfaction in CB, but the other four dimensions—tangibility, dependability, responsiveness, and empathy—have a substantial one.

There was found to be a correlation between CB customer contentment and service quality, but a discrepancy between CB customer satisfaction and Islamic bank performance. Lack of customer orientation may be to blame for the disconnect between Islamic banks' performance and client happiness. Islamic banks are more oriented on growth of their branch network than of client orientation. Finally, findings from structural models demonstrate that customer happiness acts as a partial mediator between service quality and bank performance in Pakistan. According to the suggested model's findings, customer happiness does not operate as a moderator between Islamic banks' service quality and their bottom line. Conversely, the success of traditional banks in Pakistan is tied to the level of pleasure its customers have with the bank's services.

It follows that managers need to focus on providing better service if they want to keep their customers happy in the long run. Similarly, they should decide to promote awareness among consumers and workers of banks for improvement of their products/services to boost performance. To compete with traditional banks, Islamic financial institutions must provide marketable products in accordance with Islamic guidelines. The results of this research shed light on the connection between Islamic and conventional banks in Pakistan's service quality, customer happiness, and financial performance.

5.2 Recommendations

This research compares a sample of Islamic and conventional banks in Pakistan to assess their relative strengths and weaknesses in terms of service quality, customer happiness, and overall performance. To better compete with CB in the long run, IB must raise consumer knowledge of its offerings and provide new goods and services that adhere to Shariah principles to attract a

larger client base. In this study, we found that CS did not play a mediating role between SQL and PRF when analyzing IB. That's why it's crucial for IB to prioritize customer satisfaction to close the gap between customer satisfaction and client retention. Bankers must establish a process to assess the quality of their services in terms of client satisfaction, using tools like customer surveys, to take appropriate remedial measures. As a poor association between SQL and PRF is found in this research, bankers should provide fresh, diverse, and marketable goods to fulfil the needs of many economic sectors.

There is a direct correlation between the quality of a company's services and its client pleasure, thus bank managers should work to enhance their offerings by using both age-old practices and cutting-edge technologies. To increase their client base, Islamic banks are urged to raise public knowledge of their institution using enticing forms of advertising. Innovative Shariah-compliant goods and services should be aggressively introduced by Islamic banks. Islamic banks and conventional should increase quality of service to fulfil consumer expectations for long term advantages. They must create a reliable system for monitoring consumer contentment to take necessary remedial measures. To address the needs of the many sectors of the economy, bankers should roll out innovative, varied, and sell-able new goods. When it comes to IB, male and female clients have vastly different opinions. Financial institutions may recruit more female clients by catering to their unique needs.

They must create new items catering to various demographics like age, education level, and gender. Since women make up 51 percent of the population, it's imperative that they make strides to ensure their full and active involvement. The findings show that service quality has a significant beneficial influence on customer satisfaction, suggesting that bankers may better satisfy consumers' expectations for the future by mixing conventional facilities with current technologies.

It is possible for conventional banks to adopt Islamic banking practices, allowing them to contribute to society while still operating on a profit-and-loss basis. Islamic banking is superior to conventional banking since IB offers goods and services in accordance with Sharia'h law. In contrast, a traditional bank offers goods and services based on interest, which is forbidden by Allah and His Prophet Muhammad (Peace Be Upon Him).

5.3 Limitations and Future Research

There are a few holes in this study that might be filled by follow-up studies. The effectiveness of the bank was first evaluated along subjective dimensions such as open-internal process model, rational model, and human relations model. However, objective metrics like a bank's return on equity (ROE) or return on investment (ROI) or liquidity (Current Ratio) might be used to evaluate the impact of service quality and customer satisfaction on the institution's bottom line.

Secondly, regression analysis and PLS methods are utilized to test the suggested model. Both PLS and simple regression have their limits; for example, it is not possible to analyze all possible pathways simultaneously using either method. For further study, LISREL might be used to evaluate this model by investigating the link between its components and variables. The focus of this research is on the banking industry in Pakistan, specifically on the differences between conventional and Islamic banks. Similar study may be carried out to compare the practices of conventional and Islamic Leasing firms and Insurance companies etc. The model's generalizability should be evaluated by applying it to other types of service industries.

Finally, this analysis only included the full-fledged Islamic banks to compare with the conventional banks. For accuracy, the study excludes the Islamic banking branches (Stand-alone Islamic banking branches - SAIBBS) of traditional banks. These offshoots may be pursued as avenues for more study. While there are certain restrictions, the research nonetheless adds to the body of knowledge about Pakistan.

5.4 What the research Contributes

This work adds into the body of knowledge to solve the concerns as mentioned in the knowledge gap. It's useful on both the theoretical and practical levels. There must be a research comparing the two banking systems since many nations, particularly Muslim countries, have adopted Islamic banking practices alongside conventional banking in the recent two decades. This research examines the service quality, customer happiness, and bank performance of chosen Islamic and conventional banks in Pakistan, and its conclusions are robust since it uses a large

sample size of 144 (72 IB and 72CB) bank branches to gather data from 1728 respondents. To ensure that the results are representative of Pakistan as a whole, the sample was taken from the country's 12 most populated cities throughout Pakistan's four provinces and the capital.

5.5 Effects on Theory and Real Life

Managers in the banking industry, lawmakers, and academics may all take something away from this research. Customer happiness and the quality of banking services were also included into this analysis. It helps to expand the awareness about the link among service quality, customer happiness and bank performance related Islamic and conventional banks in Pakistan. There is a lack of consumer focus and knowledge of customer protection. Managers at banks would do well to focus on customer satisfaction by implementing measures to enhance product quality that take client demographics into account.

clients' opinions of Islamic banks were shown to be more positive than those of clients of traditional banks. Bankers need to focus on the tangibility, dependability, responsiveness, assurance, and empathy of their goods and services if they want happy clients. Similarly, Islamic bankers should increase product and service visibility via strategic advertising. In addition, they should innovate in a Shariah-compliant way to release new items and enhance old ones. In Pakistan, a nation with a population of over 96% Muslims, traditional bankers should provide products/services based on profit and loss to match the expectations of bank clients. The unique branches that provide Islamic banking goods and services should also be given more attention. The research might enable the bankers to understand the bank consumers for provision of higher quality services to keep pleased customer for improved performance.

5.6 Distinctive Features of the Research

There are several ways in which this research stands apart from the others. It analyzed the facets of customer satisfaction and service quality in the Pakistani banking industry. It combined the efficiency of a bank with the value its clients get from its offerings. Using predetermined

concepts and variables, it compared Islamic banks to their conventional counterparts. The survey was directed at the clients and workers of a few financial institutions. The purpose of this research was to analyze the relationship between service quality, customer happiness, and bank performance in Pakistan. Using a variety of structures and variables, it experimentally evaluated a regional model of the SQL, CS, and PRF.

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Appendix

Bank Usage Pattern

Part I- Bank Usage Pattern

1. Which of the following bank is your main bank (please tick)?

A	Meezan Bank Limited	
B	Dubai Islamic Bank Limited	
C	Albarka Islamic Bank Limited	
D	Bank Islami Pakistan Limited	
E	First Dawood Islamic Bank Limited	
F	Qattar Islamic Bank Limited	

3. For how long you have been banking with your main bank?

A	Less than a Year	
B	1 up to 3 Years	
C	3 up to 5 Years	
D	5 Years and above	

Service Quality

Part II- Service Quality

The following set of statements relate to your feelings about Islamic bank' s service. For each statement, please show the extent to which you believe your bank has the feature described by the statement. Pick one of the seven numbers next to each statement. Here circling a "1" means that you *strongly disagree* that your bank has that feature, and circling a "7" means that you *strongly agree*. There are no right or wrong answers- all we are interested in a number that best shows your perception about Islamic bank.

	Strongly Disagree						**Strongly Agree**
1. Your Islamic bank uses modern looking equipment.	1	2	3	4	5	6	7
2. Your Islamic bank's physical facilities are visually appealing.	1	2	3	4	5	6	7
3.The employees of your Islamic bank are neat appearing	1	2	3	4	5	6	7
4. Service related materials (such as pamphlets, leaflets or reports) visually appealing at your Islamic banks	1	2	3	4	5	6	7
5. When your Islamic bank promises to do something by a certain time, it does so	1	2	3	4	5	6	7
6. When you have a problem, your Islamic bank shows a sincere interest in solving it	1	2	3	4	5	6	7
7. Your Islamic bank performs the service right the first time	1	2	3	4	5	6	7
8. Your Islamic bank provides its services at the time it promises to do so	1	2	3	4	5	6	7
9. Your Islamic bank issues error free bills, statements and other documents	1	2	3	4	5	6	7
10. Employees of your Islamic bank tell customers exactly when services will be performed	1	2	3	4	5	6	7
11. Employees of your Islamic bank give you prompt service	1	2	3	4	5	6	7
12. Employees of your Islamic bank are always willing to help you	1	2	3	4	5	6	7
13. Employees of your Islamic bank are never too busy to respond to your requests	1	2	3	4	5	6	7
14. You feel safe in your transactions with your Islamic bank	1	2	3	4	5	6	7
15. The behavior of your Islamic bank employees creates confidence in you	1	2	3	4	5	6	7
16. Employees of your Islamic bank are consistently courteous with you	1	2	3	4	5	6	7
17. Employees of your Islamic bank have the necessary knowledge to answer your questions	1	2	3	4	5	6	7
18. Your Islamic bank gives you individual attention	1	2	3	4	5	6	7
19. Your Islamic bank has business hours convenient to all customers	1	2	3	4	5	6	7
20. Your Islamic bank has employees who give you personal attention	1	2	3	4	5	6	7
21. Your Islamic bank has your best interests at heart	1	2	3	4	5	6	7
22. Employees of your Islamic bank understand your specific needs	1	2	3	4	5	6	7

Customer Satisfaction

Part III- Customer Satisfaction

You are requested to tick any one option given against each item to measure the level of customer satisfaction with the bank. You are required to show satisfaction level against each item as: 1=Very highly Dissatisfaction, 2 = High Dissatisfaction, 3 = Slight Dissatisfaction, 4 = Neutral, 5 = Slight Satisfaction, 6 = High Satisfaction, 7 = Very High Satisfaction

1. Diversity and range of Bank's services (having a wider range of financial services from the bank, e.g. deposits, retirement accounts, loans for purchase of cars, houses, foreign exchange, traveler's cheques, safe deposit lockers, etc.)

1	2	3	4	5	6	7

2. Bank's Service innovation (providing information/details on regular basis through post: telephonic banking; ATM; room service facility; cards to defense personnel, etc.)

1	2	3	4	5	6	7

3. Availability of most service operations in every branch/department of the bank.

1	2	3	4	5	6	7

4. Convenient operating hours and days (e.g. working on Saturday and Sundays, extended service hours during evenings, weekdays, etc.)

1	2	3	4	5	6	7

5. Providing service as promised

1	2	3	4	5	6	7

6. Effectiveness of the employees' skills and ability for actions whenever a critical incident takes place (i.e. when a problem arises)

1	2	3	4	5	6	7

7. Whenever a critical incident takes place (i.e. when a problem arises), the degree to which organization succeeds in bringing the condition back to normalcy by satisfying the customer.

1	2	3	4	5	6	7

8. Prompt service to customers.

1	2	3	4	5	6	7

9. Extent to which the feedback from customers is used to improve service standards.

1	2	3	4	5	6	7

10. Employees who instill confidence in customers by proper behavior.

1	2	3	4	5	6	7

11. Making customers feel safe and secure in their transactions.

1	2	3	4	5	6	7

12. Employees who have the knowledge and competence to answer customers' questions having best interests at heart.

1	2	3	4	5	6	7

13. Having a highly standardized and simplified delivery process so that services are delivered without any hassles or excessive bureaucracy.

1	2	3	4	5	6	7

14. Enhancement of technological capacity (e.g. computerization, networking of operations, etc.) to serve customers more effectively.

1	2	3	4	5	6	7

15. Degree to which the procedures and processes are perfectly fool proof.

1	2	3	4	5	6	7

16. Adequate and necessary personnel for good customer service.

1	2	3	4	5	6	7

18. The ambient conditions such as temperature, ventilation, noise and odour prevailing in the bank's premises.

1	2	3	4	5	6	7

19. Extent of the physical layout of equipment and other furnishings being comfortable for customers to interact with employees.

1	2	3	4	5	6	7

20. Having house keeping as a priority and of the highest order in the organization

1	2	3	4	5	6	7

21. Visually appealing sings, symbols, advertisement boards, pamphlets and other artifacts in the bank.

1	2	3	4	5	6	7

22. Employees who have a neat and professional appearance.

1	2	3	4	5	6	7

23. Visually appealing materials and facilities associated with the service.

1	2	3	4	5	6	7

24. Equal treatment stemming from the belief that every one, big or small, should be treated alike.

1	2	3	4	5	6	7

25. "Service transcendence"- making customers realize their unexpected needs by giving more than what they expect.

1	2	3	4	5	6	7

26. Giving good service at a reasonable cost, but not at the expense of quality.

1	2	3	4	5	6	7

27. Having branch locations in most places convenient to all sections of society (e.g. villages, down town areas, etc.)

1	2	3	4	5	6	7

28. A sense of public responsibility among employees (in terms of being punctual, regular, sincere and without going on strikes).

1	2	3	4	5	6	7

29. Extent to which the organization leads as a corporate citizen and the level to which it promotes ethical conduct in everything it does.

1	2	3	4	5	6	7

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Demographics

Part IV-Demographics

1. Your Gender:

Male	
Female	

2. Your Marital Status:

Unmarried	
Married	

3. Your Age:

A	18-24 Years	
B	25-34 Years	
C	35-44 Years	
D	45-54 Years	
E	55 and Over	

4. Your Educational Level:

A	Primary	
B	Secondary	
C	College	
D	University-Master	
E	University-M.Phil	
F	University-PhD	
G	Any other (please specify)	

5. Your Occupation:

A	Student	
B	Businessman	
C	Education/ Medical Services	
D	Housewife	
E	Banker	
F	Investor	
G	Professional / Senior Management	
H	Other (please specify)	

6. Your Monthly household income:

A	Under Rs. 10 000	
B	Rs 10 000 to Rs. 20 000	
C	Rs. 20 000 to Rs. 30 000	
D	Rs. 30 0000 to Rs. 40 000	
E	Rs. 40 0000 to Rs. 50 000	
F	Rs. 50 000 and above	

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Bank Performance

Dear Respondent

The researcher requires your valuable responses. This questionnaire was designed to serve as an instrument for measuring the performance of banks in our country. I know that time is very valuable to you but please spare a few minutes to answer the following questions. Your responses must be kept confidential and only used for academic purposes. Your kind cooperation is highly appreciated.

Bank Performance

Please encircle one option which you prefer most suitable with respect to your Bank. Items are listed in reference to "Evolution" that means progress or development of each dimension in respect to your bank. Performance is to be measured on Five point Likert scale as given below.

1. **Quality product**

    1. Decreasing evolution 2. Likely to decrease evolution 3. Neutral

    4. Likely to rise evolution 5. Rising evolution

2. **Internal process coordination**

    1. Decreasing evolution 2. Likely to decrease evolution 3. Neutral

    4. Likely to rise evolution 5. Rising evolution

3. **Personnel activities coordination**

    1. Decreasing evolution 2. Likely to decrease evolution 3. Neutral

    4. Likely to rise evolution 5. Rising evolution

4. **Share market**

    1. Decreasing evolution 2. Likely to decrease evolution 3. Neutral

    4. Likely to rise evolution 5. Rising evolution

5. **Profitability**

    1. Decreasing evolution   2. Likely to decrease evolution   3. Neutral

    4. Likely to rise evolution   5. Rising evolution

6. **Productivity**

    1. Decreasing evolution   2. Likely to decrease evolution   3. Neutral

    4. Likely to rise evolution   5. Rising evolution

7. **Voluntary personnel rotation**

    1. Decreasing evolution   2. Likely to decrease evolution   3. Neutral

    4. Likely to rise evolution   5. Rising evolution

8. **Personnel absenteeism**.

    1. Decreasing evolution   2. Likely to decrease evolution   3. Neutral

    4. Likely to rise evolution   5. Rising evolution

Bank Experience

Bank Experience

Please specify your designation. (_____)

In which of the following banks you are currently working (please tick)?

A	Meezan Bank Limited	
B	Dubai Islamic Bank Limited	
C	Albarka Islamic Bank Limited	
D	Bank Islami Pakistan Limited	
E	First Dawood Islamic Bank Limited	
F	Qattar Islamic Bank Limited	

For how long you are working in current bank?

A	Less than a Year	
B	1 up to 5 Years	
C	5 up to 10 Years	
D	10 Years and above	

THANKS FOR YOUR COOPERATION

Bank Usage Pattern

Part I- Bank Usage Pattern

1. Which of the following bank is your main bank (please tick)?

A	National Bank of Pakistan	
B	Habib Bank Limited	
C	MCB Bank Limited	
D	Bank Alfalah Limited	
E	Askari Bank Limited	

3. For how long you have been banking with your main bank?

A	Less than a Year	
B	1 up to 3 Years	
C	3 up to 5 Years	
D	5 Years and above	

Part II- Service Quality

The following set of statements relate to your feelings about Conventional bank' s service. For each statement, please show the extent to which you believe your bank has the feature described by the statement. Pick one of the seven numbers next to each statement. Here circling a "1" means that you *strongly disagree* that your bank has that feature, and circling a "7" means that you *strongly agree*. There are no right or wrong answers- all we are interested in a number that best shows your perception about Conventional bank.

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	Strongly Disagree						Strongly Agree
1. Your Conventional bank uses modern looking equipment.	1	2	3	4	5	6	7
2. Your Conventional bank's physical facilities are visually appealing.	1	2	3	4	5	6	7
3. The employees of your Conventional bank are neat appearing	1	2	3	4	5	6	7
4. Service related materials (such as pamphlets, leaflets or reports) visually appealing at your Conventional banks	1	2	3	4	5	6	7
5. When your Conventional bank promises to do something by a certain time, it does so	1	2	3	4	5	6	7
6. When you have a problem, your Conventional bank shows a sincere interest in solving it	1	2	3	4	5	6	7
7. Your Conventional bank performs the service right the first time	1	2	3	4	5	6	7
8. Your Conventional bank provides its services at the time it promises to do so	1	2	3	4	5	6	7
9. Your Conventional bank issues error free bills, statements and other documents	1	2	3	4	5	6	7
10. Employees of your Conventional bank tell customers exactly when services will be performed	1	2	3	4	5	6	7
11. Employees of your Conventional bank give you prompt service	1	2	3	4	5	6	7
12. Employees of your Conventional bank are always willing to help you	1	2	3	4	5	6	7
13. Employees of your Conventional bank are never too busy to respond to your requests	1	2	3	4	5	6	7
14. You feel safe in your transactions with your Conventional bank	1	2	3	4	5	6	7
15. The behavior of your Conventional bank employees creates confidence in you	1	2	3	4	5	6	7
16. Employees of your Conventional bank are consistently courteous with you	1	2	3	4	5	6	7
17. Employees of your Conventional bank have the necessary knowledge to answer your questions	1	2	3	4	5	6	7
18. Your Conventional bank gives you individual attention	1	2	3	4	5	6	7
19. Your Conventional bank has business hours convenient to all customers	1	2	3	4	5	6	7
20. Your Conventional bank has employees who give you personal attention	1	2	3	4	5	6	7
21. Your Conventional bank has your best interests at heart	1	2	3	4	5	6	7
22. Employees of your Conventional bank understand your specific needs	1	2	3	4	5	6	7

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Customer Satisfaction

Part III- Customer Satisfaction

You are requested to tick any one option given against each item to measure the level of customer satisfaction with the bank. You are required to show satisfaction level against each item as: 1=Very highly Dissatisfaction, 2 = High Dissatisfaction, 3 = Slight Dissatisfaction, 4 = Neutral, 5 = Slight Satisfaction, 6 = High Satisfaction, 7 = Very High Satisfaction

1.Diversity and range of Bank's services (having a wider range of financial services from the bank, e.g. deposits, retirement accounts, loans for purchase of cars, houses, foreign exchange, traveler's cheques, safe deposit lockers, etc.)

1	2	3	4	5	6	7

2. Bank's Service innovation (providing information/details on regular basis through post: telephonic banking; ATM; room service facility; cards to defense personnel, etc.)

1	2	3	4	5	6	7

3. Availability of most service operations in every branch/department of the bank.

1	2	3	4	5	6	7

4. Convenient operating hours and days (e.g. working on Saturday and Sundays, extended service hours during evenings, weekdays, etc.)

1	2	3	4	5	6	7

5.Providing service as promised

1	2	3	4	5	6	7

6. Effectiveness of the employees' skills and ability for actions whenever a critical incident takes place (i.e. when a problem arises)

1	2	3	4	5	6	7

7. Whenever a critical incident takes place (i.e. when a problem arises), the degree to which organization succeeds in bringing the condition back to normalcy by satisfying the customer.

1	2	3	4	5	6	7

8. Prompt service to customers.

1	2	3	4	5	6	7

9. Extent to which the feedback from customers is used to improve service standards.

1	2	3	4	5	6	7

10. Employees who instill confidence in customers by proper behavior.

1	2	3	4	5	6	7

11.Making customers feel safe and secure in their transactions.

1	2	3	4	5	6	7

12. Employees who have the knowledge and competence to answer customers' questions having best interests at heart.

1	2	3	4	5	6	7

13. Having a highly standardized and simplified delivery process so that services are delivered without any hassles or excessive bureaucracy.

1	2	3	4	5	6	7

14. Enhancement of technological capacity (e.g. computerization, networking of operations, etc.) to serve customers more effectively.

1	2	3	4	5	6	7

15. Degree to which the procedures and processes are perfectly fool proof.

1	2	3	4	5	6	7

16. Adequate and necessary personnel for good customer service.

1	2	3	4	5	6	7

17. Adequate and necessary facilities for good customer service.

1	2	3	4	5	6	7

18. The ambient conditions such as temperature, ventilation, noise and odour prevailing in the bank's premises.

1	2	3	4	5	6	7

19. Extent of the physical layout of equipment and other furnishings being comfortable for customers to interact with employees.

1	2	3	4	5	6	7

20. Having house keeping as a priority and of the highest order in the organization

1	2	3	4	5	6	7

21. Visually appealing sings, symbols, advertisement boards, pamphlets and other artifacts in the bank.

1	2	3	4	5	6	7

22. Employees who have a neat and professional appearance.

1	2	3	4	5	6	7

23. Visually appealing materials and facilities associated with the service.

1	2	3	4	5	6	7

24. Equal treat stemming from the belief that every one, big or small, should be treated alike.

1	2	3	4	5	6	7

25. "Service transcendence"- making customers realize their unexpected needs by giving more than what they expect.

1	2	3	4	5	6	7

26. Giving good service at a reasonable cost, but not at the expense of quality.

1	2	3	4	5	6	7

27. Having branch locations in most places convenient to all sections of society (e.g. villages, down town areas, etc.)

1	2	3	4	5	6	7

28. A sense of public responsibility among employees (in terms of being punctual, regular, sincere and without going on strikes).

1	2	3	4	5	6	7

29. Extent to which the organization leads as a corporate citizen and the level to which it promotes ethical conduct in everything it does.

1	2	3	4	5	6	7

Demographics

Part IV-Demographics

1. Your Gender:

Male	
Female	

2. Your Marital Status:

Unmarried	
Married	

3. Your Age:

A	18-24 Years	
B	25-34 Years	
C	35-44 Years	
D	45-54 Years	
E	55 and Over	

4. Your Educational Level:

A	Primary	
B	Secondary	
C	College	
D	University-Master	
E	University-M.Phil	
F	University-PhD	
G	Any other (please specify)	

5. Your Occupation:

A	Student	
B	Businessman	
C	Education/ Medical Services	
D	Housewife	
E	Banker	
F	Investor	
G	Professional / Senior Management	
H	Other (please specify)	

6. Your Monthly household income:

A	Under Rs. 10 000	
B	Rs 10 000 to Rs. 20 000	
C	Rs. 20 000 to Rs. 30 000	
D	Rs. 30 0000 to Rs. 40 000	
E	Rs. 40 0000 to Rs. 50 000	
F	Rs. 50 000 and above	

THANKS FOR YOUR COOPERATION

Dear Respondent

The researcher requires your valuable responses. This questionnaire was designed to serve as an instrument for measuring the performance of banks in our country. I know that time is very valuable to you but please spare a few minutes to answer the following questions. Your responses must be kept confidential and only used for academic purposes. Your kind cooperation is highly appreciated.

Bank Performance

Please encircle one option which you prefer most suitable with respect to your Bank. Items are listed in reference to "Evolution" that means progress or development of each dimension in respect to your bank. Performance is to be measured on Five point Likert scale as given below.

1. **Quality product**

   1. Decreasing evolution   2. Likely to decrease evolution   3. Neutral

   4. Likely to rise evolution   5. Rising evolution

2. **Internal process coordination**

   1. Decreasing evolution   2. Likely to decrease evolution   3. Neutral

   4. Likely to rise evolution   5. Rising evolution

3. **Personnel activities coordination**

   1. Decreasing evolution   2. Likely to decrease evolution   3. Neutral

   4. Likely to rise evolution   5. Rising evolution

4. **Share market**

   1. Decreasing evolution   2. Likely to decrease evolution   3. Neutral

   4. Likely to rise evolution   5. Rising evolution

5. **Profitability**

   1. Decreasing evolution   2. Likely to decrease evolution   3. Neutral

   4. Likely to rise evolution   5. Rising evolution

6. **Productivity**

   1. Decreasing evolution   2. Likely to decrease evolution   3. Neutral

   4. Likely to rise evolution   5. Rising evolution

7. **Voluntary personnel rotation**

   1. Decreasing evolution   2. Likely to decrease evolution   3. Neutral

   4. Likely to rise evolution   5. Rising evolution

8. **Personnel absenteeism.**

   1. Decreasing evolution   2. Likely to decrease evolution   3. Neutral

   4. Likely to rise evolution   5. Rising evolution

Bank Experience

Please specify your designation. (_____ _____)

In which of the following banks you are currently working (please tick)?

A	National Bank of Pakistan	
B	Habib Bank Limited	
C	MCB Bank Limited	
D	Bank Alfalah Limited	
E	Askari Bank Limited	

For how long you are working in current bank?

A	Less than a Year	
B	1 up to 5 Years	
C	5 up to 10 Years	
D	10 Years and above	

THANKS FOR YOUR COOPERATION

Lists of Banks Working in Pakistan

List of Banks Working in Pakistan

Type of Bank	Name of Bank	Address
Public Sector Banks	National Bank of Pakistan	Head Office, I.I. Chundrigar Road, Karachi, Phone: 021-9212200, Fax #: 021-9212774
	First Women Bank Limited	Building, CL-10/20/2, Beaumont Road, Civil Lines, Karachi, Phone#5657681, Fax # 5657755
	The Bank of Khyber	24- The Mall, Peshawar Cantt. Phone # 091-5272189, Fax Number: 091-5276838
	The Bank of Punjab	7-Egerton Road, Lahore, Telephone Office:042-9200173, Fax Number: 042-9200297
Specialized Banks	Industrial Development Bank of Pakistan	State Life Building No. 2, Wallace Road, Off I.I. Chundrigar Road, Karachi, Phone #:021-9213615, Fax Number: 021-9213617
	The Punjab Provincial Cooperative Bank Ltd	Bank Square, The Mall, Lahore, Phone # 042-9211411,Fax #:042-9211442
	SME Bank Limited	40,Jang Building, A. K. Fazal-e-Haq Road Blue Area, Islamabad
	Zarai Taraqiati Bank Limited	1-Faisal Avenue, P. O. Box No.1400, Islamabad Phone #: 051-9252717, Fax #: 051-9252737
Private Banks	ABN AMRO Bank Pakistan Limited	16 Abdullah Haroon Road, Karachi Phone #: 5683097, Fax Number: 5683432
	JS Bank Limited	1st Floor, Shaheen Commercial Complex, Dr. Ziauddin Ahmed Road, Karachi, Phone #: 021-2635208, Fax #: 021-2631803
	Allied Bank Limited	Central Office, Main Clifton Road, Bath Island, Karachi, Phone #: 5370499 Fax #:021-5370500
	KASB Bank Limited	Business & Finance Centre, I.I. Chundrigar Road, Karachi, Pone #: 2446800, Fax #9217588
	Arif Habib Bank Limited	2/1, R.Y.16 Old Queens Road, Karachi Phone #: 2463570, Fax Number: 2463553
	MCB Bank Limited	22nd Floor, MCB Tower, I.I. Chundrigar Road, Karachi, Phone #: 021-2270075, Fax# 2270078
	Askari Bank Limited	1st Floor, AWT Plaza, The Mall, Rawalpindi. Phone #: 051-9272289, Fax #: 051-9271982
	Mybank Limited	2nd Mezzanine Floor, Business & Finance Centre, I. I. Chundrigar Road, Karachi Phone #: 2440100, Fax Number: 2471951
	Atlas Bank Limited	3rd Floor, Federation House, Abdullah Shah Ghazi Road, Clifton, Karachi, Phone #: 21-5369283, Fax Number: 21-5877197
	NIB Bank Limited	Muhammadi House, I. I. Chundrigar Road, Karachi, Phone #: 021-2420333, Fax # 2472258

	Bank Alfalah Limited	2nd Floor, B.A. Building, I.I. Chundrigar Road, Karachi, Phone #: 2416966, Fax #: 2434183
	Saudi Pak Commercial Bank Limited	Saudi Pak Building, I.I. Chundrigar Road, Karachi, Phone #: 021-2460466,Fax # 2460464
	Bank Al Habib Limited	Mackinnons Building, I.I. Chundrigar Road, Karachi, Pone #: 021- 2412421,Fax # 2419752
	Soneri Bank Limited	5th Floor, Al-Rahim Tower, I.I. Chundrigar Road, Karachi, Phone #2439582,Fax #2439561
	Crescent Commercial Bank Limited	6th Floor, Sidco Avenue Centre, Maulana Deen Muhammad Wafai Road, Karachi, Phone #021-5686267, Fax Number: 021-5658059
	Standard Chartered Bank (Pakistan) Limited	3rd Floor, Main Branch, P. O. Box No. 5556 I. I. Chundrigar Road, Karachi, Phone #: 021-2450288-89, Fax Number: 021-2414914
	Faysal Bank Limited	Faysal House, ST-02, Shahrah-e-Faisal, Karachi Phone #: 021-2795300, Fax #: 021-2793102
	United Bank Limited	8th Floor, State Life Building, No.1, I.I. Chundrigar Road, Karachi, Phone #: 2417021 & 90332085,bFax Number: 2413492
	Habib Bank Limited	22-Habib Bank Plaza, I.I. Chundrigar Road, Karachi, Phone # 241 1530, Fax # 241 1556
	Habib Metropolitan Bank Limited	Spencer Building, I. I. Chundrigar Road, Karachi, Phone # 2638080, Fax #: 2630496
Foreign Banks	Oman International Bank	Ground Floor, Nadir House Building, I.I. Chundrigar Road, Karachi. Phone #: 021-2419294, Fax Number: 021-2418920
	Deutsche Bank AG	Avari Plaza, Fatima Jinnah Road, Karachi. Phone #: 021-5207200, Fax #: 021-5658325
	Citibank N.A.	1st Floor, AWT Plaza, I. I. Chundrigar Road, Karachi. Phone #: 021-2638398, Fax # 2638211
	HSBC Bank Middle East Limited	1st Floor, Shaheen Complex, M.R. Kayani Road, Karachi. Phone #2637787, Fax #2631368
Micro Finance Banks	Khushhali Bank Limited	94 West, 4th Floor, Amir Plaza, Jinnah Avenue Blue Area, P. O. Box 3111, Islamabad Phone #: 051-111-092-092, Fax #: 9206080.
	Rozgar Microfinance Bank Limited	Business Executive Centre, F-17/3, Block-8 Clifton, Karachi. Phone #: 021-3820326
	Network Microfinance Bank Limited	94 West, 4th Floor, Amir Plaza, Jinnah Avenue Blue Area, P. O. Box 3111, Islamabad, Phone #: 051-111-092-092, Fax #: 051-9206080
	Tameer Micro Finance Bank Limited	15-A, Block 7 & 8, Central Commercial Area K.C.H.S. Union, Karachi, Phone #: 021 - 4325576, Fax Number: 021- 4325575
	Pak Oman Microfinance Bank Limited	2nd Floor, Tower C , Finance & Trade Centre, Shahrah-e-Faisal, Karachi. Phone #: 021-5630946, Fax Number: 021-5630949

	The First Micro Finance Bank Limited	62-C, Tauheed Commercial Area, 25th Commercial Street, DHA Phase V, Karachi Phone #: 021- 5822432, Fax #: 021 = 5822434
Development Finance Institutions	House Building Finance Corporation	3rd Floor, Finance & Trade Centre, Tower B Shareu Faisal, Karachi, Phone #: 021-9202314, Fax Number: 021-9202360
	Pakistan Kuwait Investment Company Limited	4th Floor, Block C, FTC Building, Shahrea Faisal, Karachi. Phone #5630950-51, Fax Number: 5630939-40
	Pak Brunei investment Company Limited	1st Floor, Tower A, Finance & Trade Centre, Shareu Faisal, Karachi, Phone #: 021-5631033 Fax Number: 021-5631025
	Pak Oman Investment Company Limited	1st Floor, Tower A, Finance & Trade Centre Shahreu Faisal, Karachi, Phone #: 021-5630960, Fax Number: 021-5630961
	Pak Iran Joint Investment Company	Nos. 507-508, 5th floor, Progressive Plaza, Beaumont Road, Civil Lines, Karachi Phone #: 021-5638590-1, Fax #: 021-5638589
	Saudi Pak Industrial & Agricultural Investment Company Limited	19th Floor, Saudi Pak Tower, 61/A Jinnah Avenue, Blue Area, Islamabad Phone #: 051-2800314-15, Fax #: 051-2800308
	Pak Libya Holding Company Limited	5th Floor, Block C Finance & Trade Centre Shahreu Faisal, Karachi. Phone #: 021-5630630 & 5630666, Fax Number: 021-5630654
	Pak-China Investment Company Limited	Camp Office, House No. 7-C, Street No. 23, F-8/2, Islamabad. Phone #: 051-8438042, Fax #: 051-8318060-1
Islamic Banks	Meezan Bank Limited	2nd Floor, PNSC Building, M. T. Khan Road Karachi, Phone #: 021-5610677, Fax #: 5610676
	BankIslami Pakistan Limited	11th Floor, Executive Tower, Dolmen City Marine Drive, Block-4, Clifton, Karachi Phone #: 021-537979, Fax #: 021-5379796
	Albaraka Islamic Bank B.S.C. (E.C.)	PICIC Building, 4-Shahrah-e-Aiwan-e-Tijarat Lahore, Phone #042-6362566, Fax #: 6309965
	Emirates Global Islamic Bank	Hotel Arcade, Sheraton Hotel & Towers Club Road, Karachi. Phone #: 021-5633392 & 5633409, Fax Number: 021-5633427
	Dawood Islamic Bank Limited	2nd Floor, Trade Centre, I. I. Chundrigar Road, Karachi, Phone #: 021-2272440, Fax #:2272465
	Dubai Islamic Bank Pakistan Limited	Hassan Chambers, 3rd Floor, Plot DC-7, Block-7, Kehkashan Clifton, Karachi Phone#: 021-5368556, Fax #: 021-5821071.

Results of VPLS for Islamic Banks

Results of VPLS for Islamic Banks

Construct/Variables	Tgty	Rlty	Rspv	Asnc	Epty	Slty	Csrv	Helmt	Smdlv	TgSv	Slrby	Crsn	Iprfc
Tgty	1.000												
Rlty	0.520	1.000											
Rspv	0.476	0.728	1.000										
Asnc	0.483	0.674	0.691	1.000									
Epty	0.466	0.740	0.700	0.729	1.000								
Slty	0.605	0.885	0.864	0.862	0.885	1.000							
Csrv	0.535	0.702	0.675	0.618	0.710	0.781	1.000						
Helmt	0.524	0.725	0.716	0.711	0.784	0.839	0.799	1.000					
Smdlv	0.416	0.630	0.595	0.639	0.705	0.736	0.727	0.764	1.000				
TgSv	0.552	0.655	0.610	0.626	0.689	0.764	0.775	0.757	0.749	1.000			
Slrby	0.392	0.668	0.607	0.607	0.695	0.726	0.698	0.711	0.678	0.757	1.000		
Crsn	0.546	0.759	0.720	0.718	0.804	0.864	0.905	0.904	0.876	0.906	0.860	1.000	
Iprfc	0.098	-0.003	-0.019	0.029	0.034	0.030	-0.084	0.012	-0.044	-0.018	-0.006	-0.033	-0.033

Results of VPLS for Conventional Banks

Results of VPLS for Conventional Banks

Constructs/Variables	Tgty	Rlty	Rspv	Asnc	Epty	Slty	Crsn	Csrv	Helmt	Smdlv	TgSv	Slrby	Cprfc
Tgty	1.000												
Rlty	0.474	1.000											
Rspv	0.437	0.690	1.000										
Asnc	0.442	0.691	0.715	1.000									
Epty	0.445	0.638	0.715	0.697	1.000								
Slty	0.594	0.857	0.880	0.867	0.850	1.000							
Crsn	0.453	0.648	0.693	0.673	0.679	0.777	1.000						
Csrv	0.426	0.571	0.620	0.587	0.598	0.698	0.869	1.000					
Helmt	0.417	0.615	0.668	0.654	0.691	0.742	0.930	0.756	1.000				
Smdlv	0.383	0.565	0.622	0.607	0.597	0.690	0.906	0.729	0.826	1.000			
TgSv	0.403	0.591	0.596	0.610	0.591	0.697	0.900	0.720	0.806	0.765	1.000		
Slrby	0.401	0.567	0.606	0.565	0.570	0.663	0.887	0.685	0.791	0.752	0.758	1.000	
Cprfc	-0.058	0.055	-0.020	0.053	0.069	0.025	0.062	-0.003	0.088	0.043	0.053	0.103	0.103