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Original Research Article

Perception of Islamic Scholars and Clerics about Islamic Banking in Pakistan

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Although Islamic banking has been in use for a while, it has only recently begun to receive the attention it deserves and has become very popular. It has been warmly welcomed by people all over the world, and these Islamic banks have been successful in obtaining sizable business not only in Islamic countries but also in non-Islamic countries. There are still disagreements over a number of underlying concepts and practices despite notable advancements and achievements. Islamic banks in Pakistan have emerged as an alternative to conventional banks but they are still facing tough competition from these banks. They are offering services in Pakistan with the concept that they are working under the rules of Shariah and Quran. However, there is a debate over the practices of the profit and loss sharing mode of financing by Islamic banks in Pakistani society and that whether these services are really Islamic or not.
This study aimed to describe the perceptions of Islamic scholars in Pakistan regarding Islamic banks and investigate whether they perceive the existing Islamic banking system as really Islamic. Data was collected through a questionnaire from Islamic scholars and clerics. Firstly, reliability of the data was checked through Cronbach alpha and Chi-square test was used to analyze the data. The results showed that Islamic scholars and clerics are dissatisfied with the way of Islamic banking operations.

Keywords: Islamic banking, Islamic scholars, Shari'ah compliance, Pakistan
JEL Classification*:* E43, E44, G20, G29

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1 Introduction

An economic system was developed by Islamic academics and researchers that cultivates the laws and guidelines set out by Islamic Shariah. According to the argument, it will be built on equitable partnerships, be well-organized, defend the rights of society, and have a fair and effective market. This economic structure is expected to safeguard investor confidence while also taking societal well-being into account. Islamic banks rigorously adhere to the Islamic Shariah, which serves as the foundation for all financial transactions. The Fiqh-al-Muamlat (Shariah), which is founded on the Quran and the Sunnah, provides an explanation of Islamic theology. Figh-al-Muamlat claims that "the financial institutions carry out their operations in accordance with fundamental Islamic principles."

Instead of charging or receiving more money at a predetermined rate, Islamic banks embrace and promote profit and loss sharing. Islamic banks are sometimes referred to as interest-free institutions. Unlike conventional banks, which only transmit losses and financial burdens to investors without sharing losses themselves, Islamic banks believe in sharing losses among stakeholders, including the bank itself (Siraj and Pillai, 2012).

The study report by Iqbal and Mirakhor (1999) clarified their objective by citing Baron (1952), who claimed that an interest-free bank known as the Agibi Bunk was established in Babylonia around 700 B.C., before the advent of Islam. It also draws attention to the fact that interest is not just against the law in Islam, but also in Christianity and Judaism. The acts and revelations delivered by Allah to the noble Prophet Muhammad (P.B.U.H.) form the basis of the Islamic system. Although strictly adhering to Shariah, the Prophet himself engaged in business, trading, and financial operations. The characteristics, requirements, and regulations governing trade, commerce, and financial dealings are drawn from the activities of the Holy Prophet (P.B.U.H). The concept of Mudarabah was popular among the Prophet Muhammad's (PBUH) companions. However, significant verses were revealed to the holy prophet (PBUH) as financial precepts, explaining what and how Islamic financial practices should be, including the do's and don'ts of financial and economic connections. Transactions that are kicked against riba[1] are expressly forbidden by the Quran.

[1] Riba: In Islamic finance, Riba refers to the prohibition of usury or the charging or paying of interest on loans or debts. It is considered unethical and against Islamic principles. Islamic ←

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In Egypt in 1963, the first modern Islamic bank founded on the principles of Islamic Shariah was organized. The Organization of Islamic Conference (OIC) was founded in Saudi Arabia in 1973 with the goals of defending Islamic finance and establishing financial standards. After the OIC emerged, institutionalizing Islamic banking was admired, and as a result, several nations participated in the formally establishing Islamic banks in their respective nations. There was a significant advancement in the development of Islamic banking, with the establishment of the Amanah 31 Bank of the Philippines in 1973, the Dubai Islamic Bank in 1975, the Faisal Islamic Bank of Sudan in 1977, the Faisal Islamic Bank of Egypt in 1977, the Behrain Islamic Bank in 1979, and the Meezan Islamic Bank of Pakistan in 2002 (Ahmad et al., 2010).

Islamic banking is an unquestionable phenomenon that has swept the financial world. Even more attention has been generated by it as a result of its continuing expansion throughout the global financial crisis. The world's leading non-Muslim nations are vying with one another to become the center of Islamic banking. However, not everything is perfect. Controversies and difficulties accompany the exceptional rise and popularity. As of right now, neither a supreme authority nor a single entity oversees the Islamic financial sector, nor are there any regulations or standards pertaining to how the Shariah should be interpreted. Each Islamic bank has a shariah board that oversees and certifies that all of the bank's operations comply with Islamic law. These Shariah Boards often include a number of academics who are well-versed in both finance and shariah. But because there aren't enough experts who are knowledgeable about both money and religion, the Shariah boards frequently have too much to do, and the approval process becomes unexpected and challenging.

Despite the fact that each Islamic bank in Pakistan has a separate Shariah Advisory Board, Islamic scholars continue to contend that the goods supplied by Islamic banks do not strictly adhere to trade-based items or the actual spirit of Shariah. Customers who are also of the notion that activities at Islamic banks are not entirely oriented towards the Shariah principles are influenced by this perception. It is asserted that only approximately 50% of clients believe that Islamic banking adheres to Shariah rules, with the

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financial institutions offer alternative mechanisms such as profit-sharing, leasing, and equity-based financing to comply with the prohibition of Riba.

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remainder either unaware or unconcerned. This may be because Islamic scholars have criticized Islamic banking and issued "Fatwas[1]" against it, which have a detrimental effect on the legitimacy of Islamic banks. Concerns with Islamic banking have been reported to include perceptions of a lack of Shariah compliance, divergence from its beginnings, and claims that goods are similar to interest-based products and that Islamic banking procedures cannot be distinguished from conventional banking practices.

There are various questions that make the opinion of Islamic scholars about Islamic banking in Pakistan necessary. Which Islamic banking products are available are based on trade or interest/riba? In light of these discussions, this study seeks to understand the opinions of Islamic scholars about the funding options provided by Islamic banks. By recording academic viewpoints, this is important for understanding the method, nature, and qualities of the items being given.

It has long been claimed that Islamic banking, a developing financial system in the modern world, is distinct from traditional banking systems. Islamic banks have developed in Pakistan as an alternative to traditional banks, yet they still have to contend with fierce rivalry from these institutions. This study focuses on the fact that despite all of the government of Pakistan's efforts, there are still misconceptions and misunderstandings about Islamic banking, such as a lack of knowledge and awareness of the Islamic banking industry's functioning model.

This scenario needs further investigation to clear the doubts among the people’s perception about the Islamic banks. Previous researchers have worked based on general public perception of thinking Islamic banking as Islamic. Therefore, this study seeks to investigate whether religious scholars and clerics in Pakistan perceive the existing Islamic banking practices as really Islamic or not?

The study will be proceeded as follow; Introduction, Theoretical foundation, Research methodology, Results and data analysis, and Summary, conclusions and recommendations.

[1] A fatwā is a legal ruling on a point of Islamic law (sharia) given by a qualified Faqih (Islamic jurist) in response to a question posed by a private individual, judge or government.

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2 Theoretical Foundation

2.1 Literature Review

The remarkable research work has been done by Muslim as well as non-Muslim researchers on the profitability and performance of Islamic banking during the last two decades. We have intended to review some of the leading researches on Islamic banking. We review what the prior researches say about products and performance of Islamic banking.

The professionalism of Islamic financial institutions is positively impacted by their expansion, which is already fairly high, in order to gain a larger market share and draw in more clients. Islamic financial institutions must have a solid marketing plan in light of these implications. The application of Islamic law that is emphasized to potential consumers makes the Islamic banking approach intriguing to examine. As a result, all Islamic financial institutions must compete for Muslim clients in order to avoid becoming a target. Although they also hold a sizable portion of the market, Islamic financial institutions shouldn't exclude prospective non-Muslim clients (Alamad et al., 2021; Sukono et al., 2020; Alssadi, 2021; Setiawan, 2020).

Every business today, notably Islamic financial institutions, must contend with fierce competition. Islamic financial institutions are forced to consider client needs and endeavor to meet them by offering the finest and satisfied service in order to dominate the market due to the fiercer competition from rivals. In order to successfully meet consumer demands that will endure and continue to be in demand by the community, Islamic financial institutions must be inventive, creative, and correct in their vision of what their customers need (Rusydiana, 2018; Menne et al., 2016; Syarif, 2019). By applying the Structure Conduct Performance (SCP) study to examine market structure and behavior on Islamic banking performance, it was possible to approximatively predict the rise of Islamic banking performance over the short- and long-term using an error correction model. The findings indicate that the market structure variable other than market share of financing had a considerable impact on the performance of Islamic banks over the long term, but that this impact was not significant for the market structure over the short term. In order to determine if the Islamic financial system affects economic growth, Nawaz et al. (2019) used the unit root test, cointegration test, and Granger Causality tests to study the dynamic relationship between Islamic finance and Pakistan's economic growth. Time series data on total Islamic finance, real GDP per person, Islamic financial assets, and population to

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reflect the real economy were taken into account for the analysis. The results show that there is a two-way link between population and Islamic asset finance.

The Islamic financial methods have some shortcomings. There were several criticisms and objections to the use of Islamic banking and finance in the late 1980s. The Federal Shariat Court (FSC) ruled in 1991 that the prevalent banking practices in Pakistan are interest-based and imposed an end to them. The Federal Shariat Court's paper covered all the information on interest rates. Due to the FSC papers, the Pakistani government came under intense pressure from a variety of economic sectors and individuals to adopt it. A number of organizations opposed the Federal Shariat Court's ruling, claiming that if it were to be put into effect, Pakistan's economy would have been left on its own and unable to compete with that of other countries. Additionally, they determined that the government should file an appeal in response to Matloob et al. (2020)'s ruling by the Federal Shariat Court.

For all parties involved, the rise of Islamic banking is seen as a sign of optimism, prosperity, and wellbeing. Theoretically, there is a clear distinction between conventional and Islamic banking, particularly with regard to the financial products offered by each banking stream. The operations, documentation, and other agreements between the stakeholders of the two financial systems also differ noticeably (Ahmad, Z. Ullah, Muhammad shahbaz manj, 2020, P-35).

Islamic banking is regarded as part of a new generation of businesses for which achieving humanitarian objectives is just as vital as maximizing profits (Haniffa & Hudaib, 2007; Zafar & Sulaiman, 2019). Iran maintained its historical leadership as the largest market for IB worldwide asset shares, accounting for 32.1% of the IB sector globally in the second quarter of 2018. With 20.2 percent, Saudi Arabia is in second place, followed by Malaysia (10.8%), the United Arab Emirates (9.8%), Kuwait (6.3%) and Saudi Arabia (20.2%). The other countries in the top 10 Islamic banking jurisdictions, in order of size, are Qatar, Turkey, Bangladesh, Indonesia, and Bahrain, but IBP, with a share of 1.3 percent, is quite low. Given this market share, it is imperative to provide priority to Islamic banking and finance, which might encourage better financial access and entice people to choose Islamic banking over conventional banking (IFSB, 2019).

According to Omoruyi and Chinomona's (2019) research, customers may use brand names as a wealth of firm information while evaluating and making purchases. Bukhari (2019) used the Johansen and Juselius (1990) co-

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integration approach to experimentally investigate the relationship between IF and EG in the case of Pakistan. They obtained that to achieve higher EG; the policymakers should realize the importance of Islamic financial institutions; as they propel Pakistan's EG. They further established that the population invigorates Islamic finance in Pakistan. This is a true banking model for a developing, underdeveloped, and impoverished economy. Pakistan's economy is likewise under progress, with problems with governance, poverty, and social and economic changes (Husain, 2018; Zaidi, 2005). IB now runs on two levels. First, there are full-fledged Islamic banks (IBs), which carry out their business in accordance with Shariah law, and second, there are Islamic Banking Departments (IBDs), which offer Islamic banking services under the supervision of CB. As a result, IBs face competition from both CBs and IBDs. In order to maintain relationships with their clients and ensure long-term business sustainability and profitability in the face of fierce competition from other financial institutions, IBs work to develop distinctive marketing strategies (Aziz & Afaq, 2018-P-2).

IBP is now less stable than CB since a smaller portion of deposits are retained by the latter. Deposit attrition occurs as a result of IB's inability to attract deposits at higher rates as a result of reduced asset returns. Additionally, these institutions do not have access to an interest rate corridor, which is offered to CB and enables them to deposit funds at a minimum rate or borrow money from the SBP at a maximum rate when necessary. Low levels of customer and financial participation, together with a meager proportion of the IB market, are inadequate to win over customers and convince them to choose IB over CB (Salman & Nawaz (2018)).

According to Amoako et al. (2017), advertising is essential for financial institutions to disseminate the relevant brand information and build the desired brand image in the minds of consumers. It raises customers' overall assessments and lowers their perceptions of the dangers associated with financial services. An appealing brand name may provide the business a marketing advantage over its rivals, which is particularly crucial for service businesses. Strong brand awareness may play a bigger role in services sectors given the level of competition there as well. As a result, service-based businesses need to establish a solid brand identity in the eyes of customers and in the marketplace (Hosseini & Behboudi, 2017).

In Pakistan efforts for Islamization of economy was started in 1980s, resulted in first ever report on Islamization of economy by Council of Islamic Ideology. Whole financial system was converted to interest free system abruptly, resulting in failure in practicing of true Islamic banking due

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to incapacity of human resources. Higher judiciary declared the system in practice as Shari'ah non-compliant in 1999. From beginning of 21st century central bank of Pakistan adopted different than 80's approach and started parallel working of Islamic and conventional banking (an approach in practice worldwide) (State Bank of Pakistan, (2011)).

Although different researchers have set diverse criteria's for identifying the customer view towards the Islamic Banking, still there is a need for further investigation to know whether Islamic scholars perceive Islamic banking to be really Islamic or not. This study therefore offers an analysis of Islamic scholars' perception regarding the overall operations of Islamic Banking system in Pakistan.

2.2 Islamic Banking in Pakistan

As the only nation to have achieved independence (on August 14, 1947) in the name of Islam, Pakistan has made Islam its main religion. Pakistan adopts Islam as its official philosophy. According to the objective decision of 1949, "Islam" shall be this nation's primary religion, and submission to Allah the Almighty will be required. The original constitution, adopted in 1956, mandated that "Islam" be the nation's official religion. As a result, the socioeconomic operations will be more efficient thanks to the rules established by Islam (Shariah). The 1962 constitution created "The Council of Islamic Ideology" to enhance the Islamic Shariah worldview. This council's main goal was to get rid of interest from financial transactions. During the presidency of General Zia-ul-Haq, this rationale received increased support. Alongside the 1973 constitution, the elimination of interest from economic activity was highlighted and put into law. According to Islamic Banking Sector Review 2003 to 2007, Article 38(f) of the Constitution of the Islamic Republic of Pakistan states that "The State shall eradicate riba as soon as practicable." Numerous academics and bankers were asked to provide an alternative banking system that forbade interest in this situation. The Pakistani civil society has romanticized and politicized this topic. The Federal Shariat Court received a petition in the early 1990s alleging that the Pakistani banking system does not adhere to Islamic law. Since July 1, 1985, this method has been deemed un-Islamic. In 1991, the Pakistani Federal Shariat Court (FSC) intervened and gave the government until June 30, 1992 to stop charging interest on commercial transactions. Investors were increasingly eager to pool large sums of money in the Islamic system as a result of the Islamic banking's essential acceptance. The conventional banks were driven to provide both conventional and Islamic

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banking services under one roof due to the dramatically rising number of branches and the overwhelmingly positive reception of Islamic goods. The SBP has been instrumental in advancing Islamic banking in Pakistan. A distinct Shariah Compliance Board was established to oversee Islamic banking and to build 33 regulatory frameworks, adaptable business practices, and market-driven Islamic banking. Table (1) provides a quick summary of Islamic banking's potential in Pakistan until March 2022.

Table 1
Islamic Banks and Branches in Pakistan in March 2022

Full-fledged Islamic Banks		Islamic branches of conventional banks		Total	
No. of Banks	Branches	No. of Banks	Branches	No. of Banks	Branches
5	1623	16	1725	21	3348

Source: State Bank of Pakistan

There are several problems and difficulties with Islamic banking, which also define the directions for future policy. The main issue is due to the government's inadequate initiatives and ambiguous policies addressing the growth of Islamic banking. In Pakistan, Islamic banking, economics, and money have a long history. The government's first plan was to overhaul Pakistan's economy in an all-Islamic fashion. However, the same failed to succeed after a trial that lasted for around 40 years.

The State Bank of Pakistan consciously proclaimed its intention to adopt a dual banking system while making Islamic banking the first option for banking customers in Pakistan at the beginning of this century. In the second strategy, where change is happening extremely slowly, the State Bank of Pakistan projects that by 2020, after two decades have passed, Islamic banking would have increased by up to 20%. Similar to the first-approach method, the government was incredibly ineffective. Growth projections for the next two decades of up to 20% show that the government is still hesitant to expand and reform the financial and economic systems to be Shariah compliant.

The second problem is connected to the expansion of Islamic banking. After almost a decade, Islamic banking in Pakistan has grown to have a 13.5% asset share and a 15.5% deposit share in the banking industry, with 2851 branches spread out over the nation. The third issue is competition from conventional banks; there are 28 conventional banks and 5 fully

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operational Islamic banks, meaning that conventional banking volume is 4.5/5 that of Islamic banking (State Bank of Pakistan, 2018c).

The third difficulty has to do with raising community awareness and using growth-related opportunities. The main factor contributing to misconceptions and misunderstandings about Islamic banking is a lack of knowledge and awareness of its functioning methodology.

Islamic banking has to implement measures that would broaden its network and make it more accessible to all consumers. Since a big portion of the population lives in rural areas, which are mostly unexplored markets, access to Islamic finance in these areas may expand the network. Islamic microfinance is one possibility.

3 Methodology

3.1 Source of Data and Data Collection Procedure

The questionnaire was distributed to 100 respondents the target sample size was of 150 but due to uncertainty and other complications some questionnaires weren't distributed. Out of the 100 respondents the full 100% replied. The ratio of female respondents to male respondents was relatively very low. Respondents were selected randomly to collect data by self-administrated questionnaires. The study also adopted "personal contact" approach, that is, respondents were approached personally. We explained the questionnaire and the objective of survey by telling its purpose, the meaning of the items and what is expected from the respondents. The data were collected from the respondents residing in big cities of Pakistan, that is, Islamabad, Rawalpindi, Lahore, Karachi, and Faisalabad. As the respondents were mostly Islamic scholars and clerics, so our research includes Pakistani students abroad studying in Madrasas. Customers were asked to give their responses regarding Islamic banking and their personal view about it being Islamic. SPSS tools were used to obtain the results from the data received.
In our case the Cronbach alpha's reliability test results are as follow;

Table 2
Case Processing Summary

		N	%
Cases	Valid	100	100.0
	Excludeda	0	.0
	Total	100	100.0

Source: Research Findings

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Table 3
Reliability Statistics

Cronbach's Alpha	N of Items
.877	39

Source: Research Findings

Table 4
How are you related with Islamic Finance? please tick any one from the following.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Customer	29	29.0	29.0	29.0
	employee of Islamic bank	6	6.0	6.0	35.0
	Others	65	65.0	65.0	100.0
	Total	100	100.0	100.0	

Source: Research Findings

Table 5
Title of degree

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Jurisprudence	33	33.0	33.0	33.0
	Islamic economy	16	16.0	16.0	16.0
	Economics in Islamic jurisprudence	11	11.0	11.0	11.0
	Economics in the interpretation of the Qur'an Jurisprudence	14	14.0	14.0	14.0
	Others	26.0	26.0	26.0	26
	Total	100	100.0	100.0	

Source: Research Findings

Table 3 shows that alpha coefficient for the 20 items is .877, suggesting that the items have relatively high internal consistency.

The study uses a descriptive design. Subjects of the study are account holders and non-account holders (Islamic scholars) of Islamic and conventional banks in Pakistan. The main purpose of dividing the respondents into two groups was to identify whether both the groups have the same perception or there is any difference in their perceptions. A structured questionnaire based on the items and modes of Islamic banking is developed. The overall reliability of the items and modes of Islamic banking

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in this study is assessed through Cronbach's alpha, which was above the threshold of 0.70 suggested by Nunnally (1978). It tells us that 33% of respondents were students of jurisprudence, 16% were Islamic economic students and a good percentage didn't tell their area of concern.
The data is analyzed through Chi-square test.

4 Results of Data Analysis

Firstly, reliability of questionnaires was checked through Cronbach's Alpha test, which showed the data was pretty much reliable, as can be seen in table 6. Then a chi square test was carried out to check the hypothesis, which was conducted as follow and gave us the results;

Table 6
Perception of Islamic scholars regarding Islamic banking

Items	1	2	3	4	5	Chi square	Sig.
1. True to the teachings of Islam?	20.2%	31.4%	25.3%	20.1%	3%	56.521a	0.00
2. Do Islamic banks operate under the Shariah compliance?	17.3%	36.2%	27.9%	12.5%	6.1%	2.235E2a	0.00
3. Do Islamic banks use Quran, Hadith sources to make their products?	11.2%	24.6%	31.2%	15.4%	17.6%	1.255E2a	0.00
4. Islamic banks copy conventional products and use only Arabic names to market their products.	8.3%	14.8%	46.4%	16.2%	14.3%	1.879E2a	0.00
5. Islamic Banks distribute higher profit as compared to conventional banks.	9.2%	31.4%	30.9%	19.2%	9.3%	21.214a	0.00
6. Members of Shariah advisory boards are competent to give authentic advice to the banks.	15.2%	26.1%	37.2%	14.9%	6.6%	1.895E2a	0.00
7. Members of Shariah advisory boards are reliable to give authentic advice.	14.2%	34.5%	24.5%	19.1%	7.7%	2.249E2a	0.00
8. Investing in business where there is no Gharar (more risk)?	5.2%	14.2%	37.2%	31.2%	12.2%	59.310a	0.00
9. based on profit and loss sharing principle.	8.1%	34.1%	32.5	15.3%	10%	84.896a	0.00
10. Shari'ah compliant because they are approved by Shari'ah advisor.	13.2%	29.2%	41.5%	14.2%	1.1%	22.887a	0.00
11. Islamic banking practices are free from Riba (interest).	7.8%	27.1%	46.2%	12.4%	6.5%	1.400E2a	0.00
12. Islamic banking practices promote social justice in the society	15.3%	30.2%	41.2%	9.2%	4.1%	2.320Ea	0.00
13. Islamic banking promotes better circulation of wealth.	12.5%	26.5%	42.1%	14.7%	4.2%	66.4236a	0.00
14. The method of Islamic banking cause development?	9.4%	33.2%	39.2%	12.6%	5.6%	34.1000a	0.00
15. There is fair allocation and access to banking resources in the Islamic banking system?	5.2%	27.4%	41.6%	16.1%	9.7%	3.601Ea	0.00

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16. In the Islamic banking system of Pakistan, there is a regulator based on the executive requirements of contracts?	6.2%	19.4%	56.2%	13.2%	5%	0.9100a	0.00
17. There is a correlation between monetary relations and the real sector of the economy?	5.2%	19.1%	63.2%	9.4%	3.1%	41.000Ea	0.00
18. There is discipline, regularity, honesty, and fulfillment of the agreement in the Islamic banking system? (Islamic ethics)	13.5%	24.3%	36.1%	16.1%	10%	12.1473a	0.00
19. The terms and conditions in the financial contracts are balanced and do not turn in favor of banks at the cost of clients.	15.2%	27.2%	38.1%	13.1%	6.4%	1.362Ea	0.00
20. I am not convinced that Islamic banking is Shari'ah legitimate.	19.2%	36.1%	39.2%	4.4%	1.2%	2.701Ea	0.00

Source: Research Findings

As the reliability test is above 0.7, showing that the data is reliable. Now in table 6, we see that the result of our chi square test is accepting our Null hypothesis that is Islamic scholars don't consider Islamic banking as completely Islamic. The results somehow suggest that majority of them have neutral point of view regarding Islamic banking, but the disagreement is still more than agreement. For instance, more than 50% disagree that Islamic banking is true to the teaching of Islam. Similarly, more than 50% think that Islamic banking don't work under Shariah compliance. Furthermore, majority of them don't think that Islamic banking is based on profit and loss sharing.

At last, if we look at question no 20 whether they are convinced that Islamic banking is Shari'ah legitimate, nearly 60% even disagree or strongly disagree and nearly 40% of the remaining portion are neutral to this question leaving a few to agree, so based on these results we can say that Islamic scholars do not have a good point of view regarding Islamic banking in Pakistan.

This study is a significant contribution to the literature on Islamic banking as it describes the perceptions of people about Islamic banking practices who know (shariah compliance of Islamic banking). Previous studies examined consumer perceptions regarding Islamic banking designed at identifying the factors that determined how the individual consumers and business organizations choose to utilize the substitute products and services of the Islamic banks.

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5 Summary, Conclusions and Recommendations

5.1 Summary

This study examines the perception of Islamic scholars regarding Islamic banking. Data were collected from 100 Pakistani scholars and clerics in and abroad Pakistan. Most of them were approached online through WhatsApp and Gmail and some were approached to record their responses by using a self-administrated structured questionnaire. SPPS 15.0 version was applied to analyze the satisfaction of Islamic scholars regarding Islamic banking. Cronbach Alpha test was applied to check the reliability of the data, which is reliable from results, after that a chi square test was applied to check whether they really consider Islamic banking as Islamic.

5.2 Conclusion

Islamic banking and finance are currently the most successful sector in both the Islamic and Western markets, but they will still encounter challenges. The Islamic financial sector has a particular set of difficulties as a result of its religious foundation. Only a few of the points mentioned above. The industry participants should carefully evaluate the issues as more specialists enter the ranks and implement procedures to intentionally enhance every element of the industry.

Based on the data collected from Pakistani scholars and clerics, this study concludes that a significant number of Islamic scholars do not perceive Islamic banking in Pakistan as truly Islamic. The findings imply that there may be shortcomings in the operational practices of Islamic banks, potentially compromising their compliance with Shariah principles. It is crucial for Islamic financial institutions and regulatory bodies to address the concerns raised by Islamic scholars and take steps to enhance transparency, accountability, and adherence to Islamic principles. Further research is necessary to explore specific areas of concern and propose practical recommendations for improving the Islamic banking system, thus ensuring its alignment with the expectations and requirements of the Islamic community.

As we can see in previous studies customers are not fully satisfied with the way Islamic banking works, this study shows that not only customers but Islamic scholars and clerics are not satisfied with Islamic banking operations.

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5.3 Recommendations

This study is a significant contribution to the literature on Islamic banking as it describes the perceptions of Islamic scholars and clerics about Islamic banking practices. Previous studies examined consumer and customer's perceptions regarding Islamic banking designed at identifying the factors that determined how the individual consumers and business organizations choose to utilize the substitute products and services of the Islamic banks.

- An important implication for the Islamic banks is that they need to make efforts to bring the current Islamic banking system in line with the Islamic laws.
- There are trust issues which scholars can resolve, and they should find new ways to gain that trust.
- Islamic Scholars should also require enhancing their capacity and producing more scholars in the banking industry. Proper research and development is also required to flourish the Islamic banking industry.
- Islamic banks in Pakistan need to have a board of Islamic scholars at the state bank of Pakistan to implement and regulate Shariah laws.

The current study focused on the perceptions of Islamic scholars and clerics. Future studies may focus on the opinions of banking experts about the current Islamic banking system to get a more authentic view of the system.

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Appendices

Questionnaires for this research

1. Your Name (Optional): Prof./Dr./Mr./Mrs./Miss .....

2. Please select your age:

a) Under 25 b) 26–35
c) 36–45 d) 46 or older

3. Please select your gender?

a) Male b) female

4. How are you related with Islamic Finance, please tick any one from the following.

a) Customer b) Employee of Islamic Bank
c) Shariah Advisor d) Regulatory officer
e) Others (Please specify .....

Note: There is no right or wrong answer, all I am interested in knowing is your opinion on a "- point Scale". Where,

5 = Strongly Agree,
4 = Agree,
3 = Neutral,
2 = Disagree,
1 = Strongly Disagree.

Please tick (√) the number for each statement.

Do you think Islamic Banking and Financial Services are?					
1.True to the teachings of Islam?	5	4	3	2	1
2.Shariah Based?	5	4	3	2	1
3.Working as per the teachings of Quran and Sunnah?	5	4	3	2	1
4.Investing in business where there is no Gharar (more risk)?	5	4	3	2	1
5.Shari'ah compliant because they are approved by Shari'ah advisor.	5	4	3	2	1
Do you think:					
6.Islamic banks use Quran, Hadith sources to make their products?	5	4	3	2	1
7.Islamic banks copy conventional products and use only Arabic names to market their products.	5	4	3	2	1
8.Members of Shariah advisory boards are competent to give authentic advice to the banks.	5	4	3	2	1
9.Members of Shariah advisory boards are reliable to give authentic advice.	5	4	3	2	1
10.Islamic banking practices are free from Riba (interest).	5	4	3	2	1
11.Islamic banking is based on profit and loss sharing principle.	5	4	3	2	1
12.Islamic banking practices promote social justice in the society.	5	4	3	2	1
13.Islamic banking promotes better circulation of wealth.	5	4	3	2	1
14.The method of Islamic banking cause development?	5	4	3	2	1
15.There is fair allocation and access to banking resources in the Islamic banking system?	5	4	3	2	1
16.In the Islamic banking system of Pakistan, there is a regulator based on the executive requirements of contracts?	5	4	3	2	1
17.There is a correlation between monetary relations and the real sector of the	5	4	3	2	1

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economy?					
18.There is discipline, regularity, honesty, and fulfillment of the agreement in the Islamic banking system? (Islamic ethics)	5	4	3	2	1
19.The terms and conditions in the financial contracts are balanced and do not turn in favor of banks at the cost of clients.	5	4	3	2	1
20.I am not convinced that Islamic banking is Shari'ah legitimate.	5	4	3	2	1

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List of conventional banks having Islamic branches:

S. No	Name	Conventional Banks having Islamic Banking Branches	Islamic Banks
1	Habib Bank Ltd.	✓	
2	National Bank of Pakistan	✓	
3	United Bank Ltd	✓	
4	MCB Bank Ltd.		
5	Meezan Bank Ltd.		✓
6	Allied Bank Ltd.	✓	
7	Bank AL Habib Ltd.	✓	
8	Bank Alfalah Ltd.	✓	
9	The Bank of Punjab	✓	
10	Askari Bank Ltd.	✓	
11	Habib Metropolitan Bank Ltd.	✓	
12	Standard Chartered Bank (Pakistan) Ltd.	✓	
13	Faysal Bank Ltd.	✓	
14	JS Bank Ltd.		
15	Soneri Bank Ltd.	✓	
16	Bank Islami Pakistan Ltd.		✓
17	Dubai Islamic Bank Pakistan Ltd.		✓
18	Sindh Bank Ltd.	✓	
19	The Bank of Khyber	✓	
20	First Women Bank Ltd.		
21	AlBaraka Bank (Pakistan) Ltd.		✓
22	Silk Bank Ltd	✓	
23	MCB Islamic Bank Ltd		✓
24	Summit Bank Ltd	✓	
25	SAMBA Bank Ltd.		
26	Industrial and Commercial Bank of China Ltd.		
27	Deutsche Bank AG		
28	Bank of China Limited		
29	Citibank N.A.		
	Total	16	5

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