




The Role of Islamic Awareness as a Mediator in the Relationship between Islamic Banking Practices and Customer Purchase Intentions: A Case Study in Pakistan

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<p>Keywords: Islamic Banking Practices, Islamic awareness, Customer Perception, Service Quality</p>	<p style="text-align: center;">ABSTRACT</p> <p><i>This study delves into the dynamics of Islamic banking practices and their influence on customer behavior in the specific context of Pakistan. Through a meticulous analysis, the research examines the reliability and validity of constructs such as Customer Perception, On Counter Advertising, Products, Promotion, and Service Quality, highlighting their robustness in measuring the intended dimensions. The discriminant validity among these constructs is further affirmed, underscoring the distinctiveness of each construct within the measurement model. Furthermore, the direct effects of various relationships on Awareness and Customer Perception are scrutinized, uncovering significant impact for several factors such as Service Quality and Promotion, while others demonstrate no significant influence. Moreover, the mediation analysis highlights the crucial role of Islamic awareness in shaping customer perceptions, with most relationships exhibiting significant mediation effects. These findings underscore the importance of factors such as trust, service quality, and Islamic awareness in influencing customer behavior and purchase intentions within the Islamic banking sector in Pakistan. These findings underscore the crucial role of Awareness as a mediator, suggesting that the impact of Products, Promotion, and Service Quality on Customer Perception is partially mediated by their influence on Awareness. Overall, this study contributes to a deeper understanding of the intricate dynamics between Islamic banking practices, customer perceptions, and awareness in Pakistan. The insights gleaned from this research have significant implications for policymakers and practitioners, offering valuable guidance for the formulation of strategies aimed at enhancing customer satisfaction and loyalty in Pakistan's rapidly evolving financial landscape. The past studies examine the relationship with context of conventional banking and current exploring the perception of Islamic banking customer. This will helps to understand the Islamic investor perception and banking strategies to enhance decision about Islamic banking system.</i></p>
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1 Introduction

Islamic banking has grown as a key part of the global financial landscape, providing an alternative banking system based on Sharia rules. Pakistan, with its primarily Muslim population, has seen remarkable expansion in the Islamic banking sector over the last few decades. This increase emphasizes the necessity of understanding the elements that influence customer behavior in this particular financial environment. Customers' purchasing intentions are an important part of consumer behavior in Islamic banking because they represent their propensity to engage in banking goods and services provided by Islamic banks. Understanding the factors that influence consumer purchase intentions is critical for Islamic banks to develop effective marketing strategies and increase customer satisfaction and loyalty. Furthermore, consumers' degree of Islamic awareness influences their opinions and choices for Islamic banking goods and services. However, there is a lack of study on the mediating effect of Islamic understanding in the link between Islamic bank practices and client purchasing intentions, notably in Pakistan.

This study attempts to fill a research vacuum by looking into the link between Islamic bank practices and customer purchase intentions in Pakistan, as well as the level of Islamic knowledge among consumers. Furthermore, the study aims to investigate the mediating influence of Islamic knowledge on the link between bank practices and purchasing intentions, which would provide useful insights for strategic decision-making in Pakistan's Islamic banking industry. Through this research, we hope to contribute to the progress and sustainability of Islamic banking in Pakistan, benefiting both clients and institutions.

1.1 Background and Significance of the Study

Fifty-seven member countries of the Organization of Islamic Conference (OIC) and the contemporary Muslim world, as integral parts of the emerging global village, have not been immune to the forces and trends of financial globalization that have culminated in the global capital market. The Capital Market, which includes commercial banks, corporations, non-bank financial organizations, central banks, and others, governs promotional agencies. While the internationalism-based/international interest rate convergence-oriented financial globalization asserted by proponents of capitalist ideology by means of an engine of capitalistic expansion and development of the entire global capital town. The global financial integration agenda of interest-based globalization and its interest-based financial systems are entirely unsuitable for the Islamic world, even with their alluring promise of financial integration of national economies. Nonetheless, from an Islamic perspective, the goals and methods of the global Islamic financial globalization must be exclusively Islamic. Since Islamic banks and other Islamic financial institutions are a partial progressive reaction to the globalization of capitalist finance, their recent birth and growth is virtually a positive development.

The actual data that goods for the Islamic capital market are currently available in 20 countries suggests the promotion of this fact. (For example, in seven Asian, six Middle Eastern, three African, two European, and two North American nations). The modern Islamic nations have

been attempting to constructively confront the financial globalization's issues in light of Islamic imperatives. Their innovative efforts have culminated in an Islamic institutional-cum-development policy response, particularly when considering the creation of an international network of Islamic financial institutions and the financial instruments they offer. The Islamic banking sector has had one of the quickest rates of growth in the last thirty years. It has proliferated around the world and gained widespread acceptability from both Muslims and non-Muslims (Iqbal, Molyneux, Iqbal, & Molyneux, 2005). With the exception of conducting business in conformity with Islamic laws and values, Islamic banks carry out the same fundamental tasks as banks in the traditional banking system (Mirakhor & Zaidi, 2007; Smith, Henry, & Wilson, 2004). Islamic banking is one of the major players in the service sector today. It is no longer seen as a company that aims to satisfy the religious requirements of the Muslim community, but rather—and this is important—as a company that must constantly attract new clients while holding onto its current clientele (Wilson, 1995). In order to maintain their customers' loyalty, Islamic banks must fully comprehend how their clients view them in terms of service quality and other patronage-related variables.

1.2 Problem Statement

For banks to create successful strategies in the context of Islamic banking, it is essential to comprehend the processes underpinning customers' buying intents. Research, particularly in the context of Pakistan, is lacking on the mediating function of Islamic knowledge in the link between Islamic bank practices and consumer purchase intentions. Although Islamic banking is becoming more and more prominent in Pakistan's financial scene, there isn't much empirical data to explain how customers' understanding of Islamic principles influences the link between bank practices and their intents to make purchases. In order to improve customer happiness and loyalty, Islamic banks must close this gap and modify their business procedures to better align with the religious beliefs and values of their clientele. In order to provide insights that might guide strategic decision-making within the Pakistani Islamic banking industry, this study intends to investigate the mediating role of Islamic knowledge on the link between Islamic bank practices and consumer purchase intentions.

1.3 Research Gap

Despite the growing importance of Islamic banking in Pakistan, there is still a significant research vacuum on the role that Islamic knowledge plays as a mediator in the link between Islamic bank practices and client purchase intentions. There is a dearth of empirical research that particularly addresses the mediating function of Islamic knowledge in the Pakistani context, despite the fact that various studies conducted elsewhere have looked at the factors influencing consumer behavior in Islamic banking. Given the distinct sociocultural and economic dynamics that exist in Pakistan, where Islamic precepts have a significant impact on consumer behavior and financial decision-making, this discrepancy is especially concerning. Thus, for Islamic banks to effectively formulate personalized strategies to satisfy the changing demands and preferences of Pakistani customers, a thorough knowledge of how Islamic awareness mediates the link between bank practices and customer purchase intents is essential. Empirical research may help close this gap and offer insightful information to scholars, practitioners, and policymakers, promoting the growth and sustainability of Pakistan's Islamic banking industry.

1.4 Research Objectives

- Investigate the relationship between Islamic bank practices and customer purchase intentions in Pakistan.
- Examine the level of Islamic awareness among customers of Islamic banks in Pakistan.
- Determine the mediating effect of Islamic awareness on the relationship between Islamic bank practices and customer purchase intentions.

- Identify the specific Islamic banking practices that significantly influence customer purchase intentions in Pakistan.
- Analyze the implications of the mediating role of Islamic awareness for strategic decision-making within the Islamic banking sector in Pakistan.

2 Literature Review

Pakistan was one of the first nations to create Islamic financial institutions, and during the past several decades, Islamic banking has grown significantly in that nation. The body of research on Islamic banking in Pakistan is indicative of an increasing curiosity about the preferences and behavior of clients inside this particular financial system. Numerous studies have examined the variables influencing clients' buying intentions in Islamic banking. Researchers like M. A. Khan and Hussain (2017), Ali and Ali (2019) and M. A. Ahmad, Hashmi, Shehzadi, and Nawaz (2021) have found that a number of factors, such as perceived service quality, trust, religiosity, and contentment with Islamic banking services and products, influence customers' inclinations to make purchases. These studies demonstrate the significance of variables like trust and religiosity in influencing consumer perceptions of Islamic banking, emphasizing the necessity for banks to foster trust and provide superior customer service in order to increase client happiness and loyalty.

Furthermore, studies conducted in Pakistan have looked at how informed Muslims are of Islam among those who bank with Islamic banks. While there is typically a high degree of Islamic knowledge among consumers, there are differences in the comprehension and implementation of Islamic principles in banking activities, according to studies by A. Ahmad and Haroon (2016) and Saleem, Ullah, and Khan (2018). This emphasizes how crucial it is for Islamic financial institutions to maintain openness and adhere to Sharia law, as well as to educate their clientele about Islamic banking principles. Additionally, the function that Islamic knowledge plays as a mediator in shaping the behavior of customers in Islamic banking is becoming increasingly apparent.

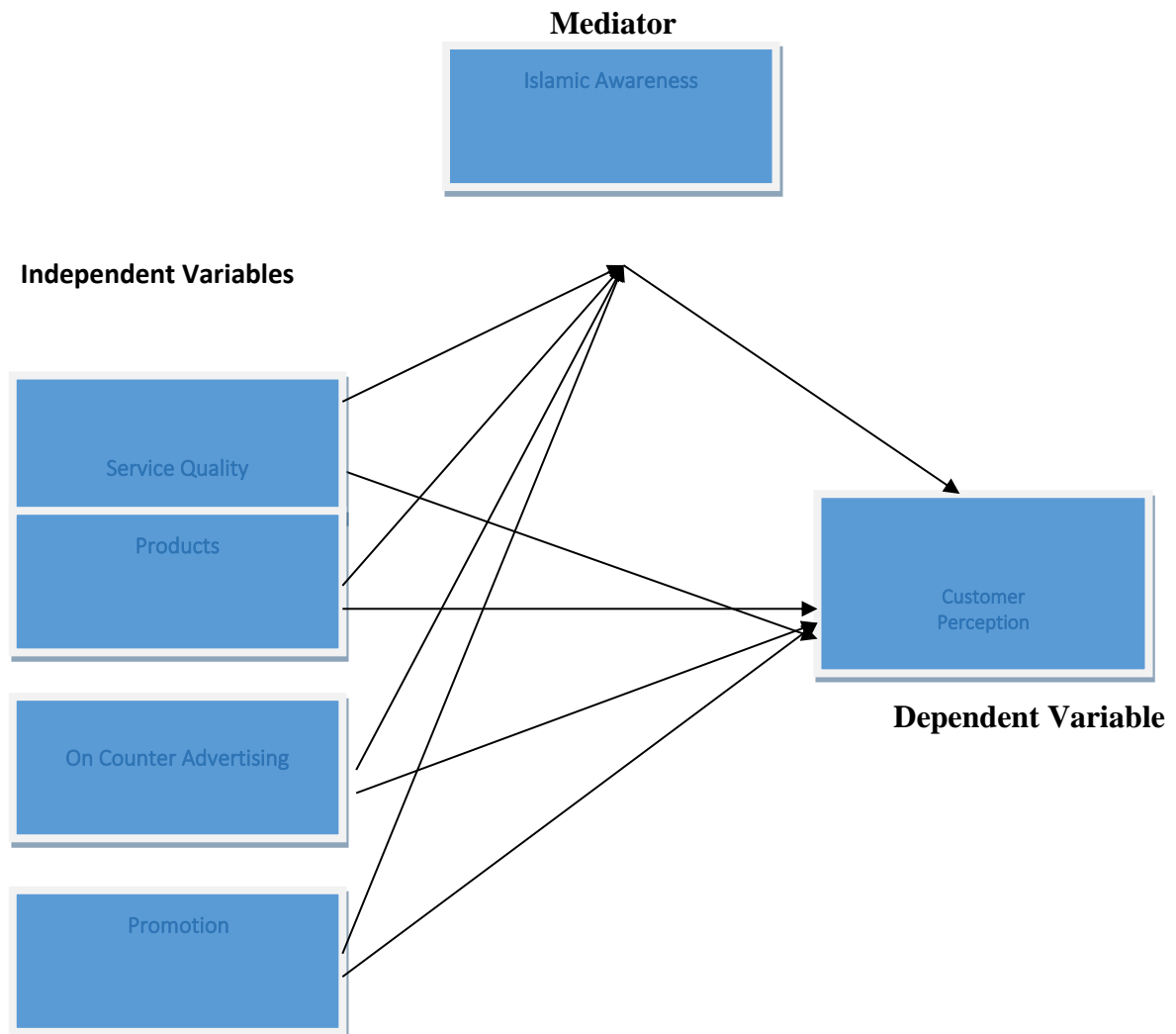
The number of research on customers' opinions and satisfaction with traditional bank services is vastly different from the abundance of studies on Islamic banks. The first of them to examine individual consumers' perceptions is Erol and El-Bdour (1989) study. It's interesting to note that the survey also discovered that although bank patronage seemed to be unaffected by the growth in the number of Islamic bank branches, most consumers were typically aware of Islamic banks and their practices due to information from neighbors and family. Additionally, a review of the literature has demonstrated that earlier studies on facilities, advertising, and promotion, as well as items offered by various companies, have been conducted and are connected to consumer satisfaction and perception.

Evidence has also demonstrated that education awareness is important for customers and that it has a positive correlation with customer perception. These independent variables together provide a comprehensive approach to the whole banking strategy for Islamic finance facilities, which in turn helps banks review and assess their policies and strategies. Aziz and Yousaf (2018) and S. Hussain, Siddiquei, and Khan (2020) studies, among others, have looked at the mediating role of Islamic knowledge on the relationships between a variety of variables and consumer purchase intentions, including trust, service quality, religiosity, and quality of service. These studies highlight how banks may improve customer engagement and loyalty by raising customer knowledge of Islam and incorporating Islamic principles into their marketing campaigns. All things considered, the research on Islamic banking in Pakistan offers insightful information on the variables affecting consumer behavior and preferences as well as the mediating function of Islamic knowledge in determining attitudes and purchase intentions. But more investigation is still required to fully understand the dynamics and new developments in Islamic banking, especially in light of Pakistan's changing socioeconomic environment.

2.1 Research Model Developed

Figure 1

Mediating Effect of Islamic Awareness on the Relationship between Islamic Bank Practices and Customer Satisfaction.



Source: Author

2.2 Hypotheses Development

2.2.1 Relationship between Islamic Banking Practices and Customer Perception:

There is a complex link between consumer perception and Islamic banking practices, which includes factors like advertising facilities, promotion efforts, Islamic goods, and service quality. Understanding how these elements affect consumer perception is essential to Islamic banking organizations' long-term viability.

2.2.2 Service Quality and Customer Perception

A key factor in determining how customers see Islamic banking is the quality of the services they get. Studies reveal that consumers see improved service quality favorably, which boosts their happiness and loyalty (Sulaiman, Yusof, & Ariffin, 2019). Within the realm of Islamic banking, service quality includes elements like effectiveness, dependability, promptness, and compassion. Customers are more inclined to see Islamic banks favorably

when they provide high-quality services that are in line with Sharia principles on a regular basis, which builds the institution's credibility.

2.2.3 *Islamic Products and Customer Perception*

Customers' perceptions are greatly influenced by the variety and caliber of Islamic financial products that banks provide. Islamic products that satisfy clients' financial demands and conform to Sharia principles include Murabahah, Musharakah, and Mudarabah. According to studies, the availability of creative and varied Islamic goods improves consumer happiness and loyalty by having a favorable effect on their perspective (El-Galfy & Salama, 2018). Additionally, open communication about the advantages of these items and their Islamic character helps to improve consumer perception and institution confidence.

2.2.4 *Promotion of Islamic Banking Practices and Customer Perception*

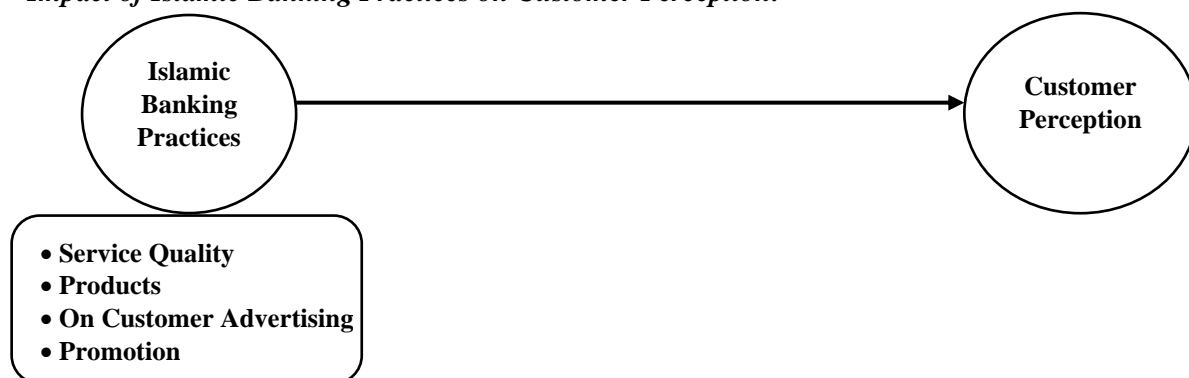
Promoting Islamic banking practices effectively may influence consumer opinion by drawing attention to and increasing understanding of the moral and social principles that underpin Islamic financing. Promotional initiatives can improve client comprehension and appreciation of Islamic banking principles. Examples of these initiatives include instructional campaigns, seminars, and community involvement events (I. Khan & Bhatti, 2019). Customers that see Islamic banks as dedicated to meeting their financial demands while maintaining Sharia compliance and ethical standards are more likely to have positive impressions of them.

2.2.5 *Advertising Facilities and On-Counter and Customer Perception*

In Islamic banking, advertising spaces and counter encounters are important touchpoints for consumer engagement and perception building. Advertising materials that are clear and informative and highlight the special qualities and advantages of Islamic banking have the potential to positively affect consumers' perceptions (Sulaiman et al., 2019). Similar to this, the individualized interactions and advisory services provided at on-counter banking locations help to foster client loyalty and confidence. Customers are more likely to perceive an institution's commitment to ethical finance when its advertising and in-person interactions are in line with Islamic ideas and values.

In summary, there is a dynamic and interrelated relationship between Islamic banking procedures and client perception. Islamic banks may foster favorable client attitudes by emphasizing service quality, providing a variety of Islamic goods, putting successful promotional techniques into practice, and making sure that messaging is consistent in both advertising and in-person contacts. These initiatives support the development of long-term client relationships, loyalty, and trust, which in turn promotes the expansion and viability of Islamic banking organizations.

Figure 2
Impact of Islamic Banking Practices on Customer Perception.



Source: Author

2.3 Hypotheses on Impact of Islamic Banking Practices on Customer Perception

H₁: There is significant impact of Service Quality (Islamic Banking Practices) on Customer Perception.

H₂: There is significant impact of Islamic Products (Islamic Banking Practices) on Customer Perception.

H₃: There is significant impact of On Customer Advertising (Islamic Banking Practices) on Customer Perception.

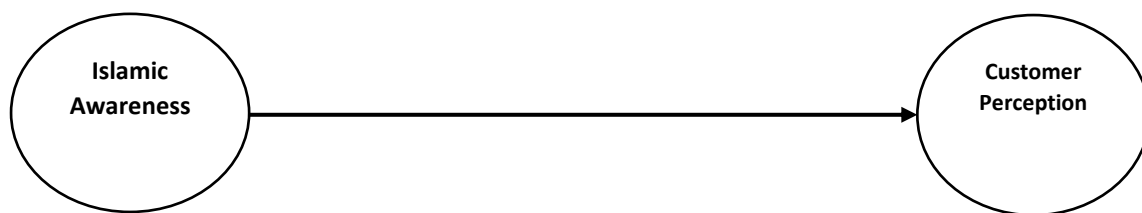
H₄: There is a significant impact of Promotion (Islamic Banking Practices) on Customer Perception.

2.4 Relationship between Islamic Awareness and Customer Perception

These findings in some ways support past research (Abdul Kader, 1993; A. Ahmad & Haroon, 2016; Gerrard & Barton Cunningham, 1997) that found that consumers' decisions to use Islamic banks are influenced equally by their religious beliefs and their financial circumstances. The fact that these earlier research were carried out in nations with several racial groups is one of their commonalities. For instance, Gerrard and Cunningham (1997) polled clients in Singapore, whereas Abdul Kader (1993) and N. Ahmad and Haron (2002), and other researchers used a sample of Islamic bank customers in Malaysia to conduct their research.

Figure 3

Impact of Islamic Awareness (Mediating Variable) on Customer Perception.



Source: Author

2.5 Hypothesis on Direct relation between mediating variable and dependent variable

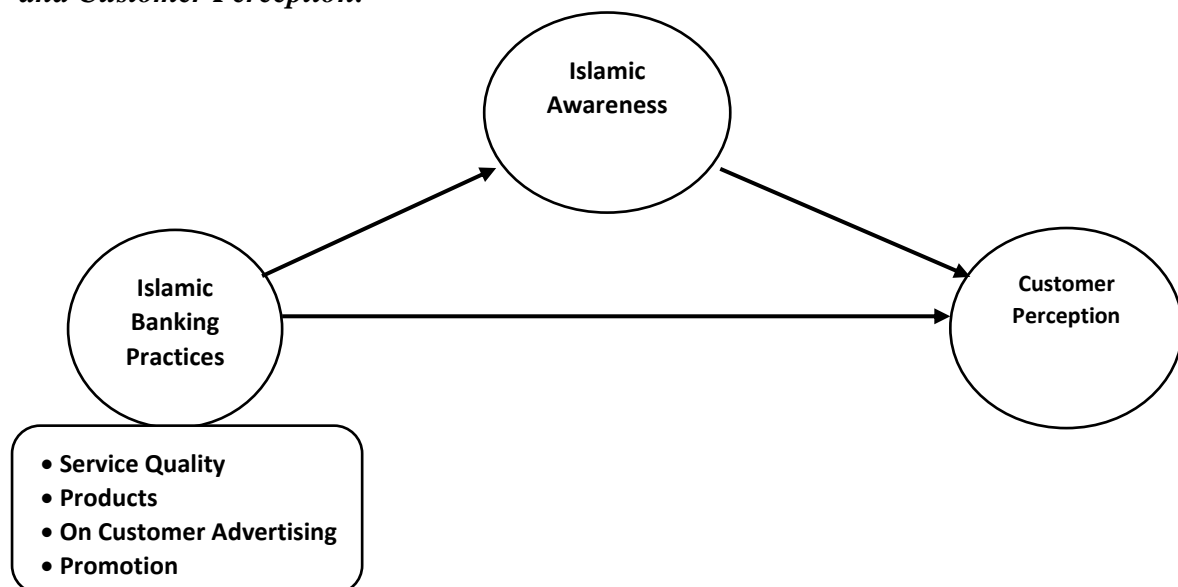
H₅: There is a significant impact of Islamic Awareness on Customer Perception.

2.6 Islamic Banking Practices and Customer Perception can be mediated by Islamic Awareness

Due to its adherence to Sharia law and ethical finance principles, Islamic banking has grown to become a major participant in the global financial sector. Customers' perceptions of the norms that Islamic financial organizations adhere are crucial to their success. Customers' perceptions impact their attitudes, actions, and ultimately, their loyalty to Islamic banking services (El-Galfy & Salama, 2018). Customers' perceptions of Islamic banking procedures are greatly influenced by factors including product innovation, service excellence, and trust in Sharia compliance (El-Galfy & Salama, 2018; Sajjad Hussain, Nawaz, Riaz, & Aqdas, 2018). Nonetheless, the degree of Islamic understanding among clients may operate as a mediating factor in the perception of Islamic banking procedures. Islamic awareness includes being aware of and knowledgeable about Sharia law and how it applies to the financial industry. I. Khan and Bhatti (2019) found a favorable correlation between consumers' perceptions of Islamic banking procedures and their level of Islamic understanding. Customers' faith in Sharia compliance grows as they gain knowledge about the ethical principles and socioeconomic goals of Islamic finance, which results in more positive opinions of Islamic banking (I. Khan & Bhatti, 2019).

Between Islamic banking processes and client perception, Islamic knowledge serves as a mediator. Customers are more likely to see Islamic banking operations favorably when they are well informed about Islamic principles and how they relate to finance. A study by Sulaiman et al. (2019) demonstrated that Islamic understanding strongly impacts customers' perceptions and attitudes towards Islamic banking services, highlighting this mediating effect. Thus, efforts to raise consumers' understanding of Islam, such educational initiatives and open communication about Sharia principles, can have a significant impact on how they see Islamic banking operations (Sulaiman et al., 2019). In summary, consumer perception has a significant role in the success of Islamic financial organizations, in addition to the adoption of Sharia-compliant operations. In this interaction, Islamic understanding plays a crucial mediating role, impacting how clients view and interact with Islamic banking services. Institutions have the potential to improve client trust, loyalty, and ultimately the viability of Islamic banking within the global financial environment by cultivating a heightened awareness and respect of Islamic principles.

Figure 4
Mediating impact of Islamic Awareness on Relationship between Islamic Banking Practices and Customer Perception.



Source: Author

2.7 Hypotheses on Impact of Islamic Awareness as mediator on the relationship between independent and dependent variables

H₅: Islamic awareness mediates the relationship between Service Quality (Islamic Banking Practices) and Customer Perception.

H₆: Islamic awareness mediates the relationship between Islamic Products (Islamic Banking Practices) and Customer Perception.

H₇: Islamic awareness mediates the relationship between On Customer Advertising (Islamic Banking Practices) and Customer Perception.

H₈: Islamic awareness mediates the relationship between Promotion (Islamic Banking Practices) and Customer Perception.

3 Research Methodology

Questionnaire was formulated and distributed to our target respondent. The target respondents were account holders of Islamic banking services. The Respondents were

randomly selected from Islamic banks' customers who visited the sampling locations during the chosen time intervals, in order to eliminate the sampling frame errors and to ensure the representation of the population under study in the sample units. Following the data collection procedures outlined by similar banking studies the questionnaires were distributed during various working hours of the same day (morning and evenings), as well as various days of the week, to reduce any potential bias owing to high concentration of bank customers during certain hours of the day, or certain days of the week or month (Abbas, Azid, & Hj Besar, 2016; Creyer & Ross Jr, 1997; Gerrard & Barton Cunningham, 1997; A. Hussain, Hussain, Marri, & Zafar, 2021; Metawa & Almosawi, 1998; Naser, Jamal, & Al-Khatib, 1999; Owusu-Frimpong, 1999; Sureshchandar, Rajendran, & Anantharaman, 2003).

This study focused on 3 major areas: The target respondents are customer of Pakistan obtained response from 214 customers working in the government and private sectors. Response that is obtained via email due to the distance of the respondent with us is too far. Using knowledge obtained from business statistics, the SmartPLS was used as statistical analytical tool to obtain survey results, which will be presented in the next chapter. The first part of my questionnaire takes into the demographics factor of my respondent. It is open-ended questions with multiple-choice selections. The second part of the questionnaire require respondent to rate their perception level of Islamic finance practices Pakistani banks based on a 5 level scale.

3.1 Measurements of Variables

The first section of the questionnaire covers some general information and occupation information of the respondent. In this section, I look into the gender, race, age, marital status, educational background, banks, occupation that they are currently attached to and the industry they are working in. The second part of the questionnaire is to measure the respondent opinion of customer perception and strategies use by Pakistani banks to promoting Islamic finance. The customer approach was applied because we want to know are customer of these banks satisfied with current practices and strategies?, and there is any correlation with the independent variables with dependent variable?, and in the last we will analyze its correlated or nor and its significant are not with use of statically activities. We look into 5 factors for customer perception, in which is based on Subsequently, Zainuddin, Jahyd, and Ramayah (2004) also surveyed Pakistani bank customers to illustrate the different perceptions of users of Islamic banking services. For this research, SmartPLS was utilized to analyze the Structural Equation Modeling (SEM) to assess the mediation impact of Islamic Awareness.

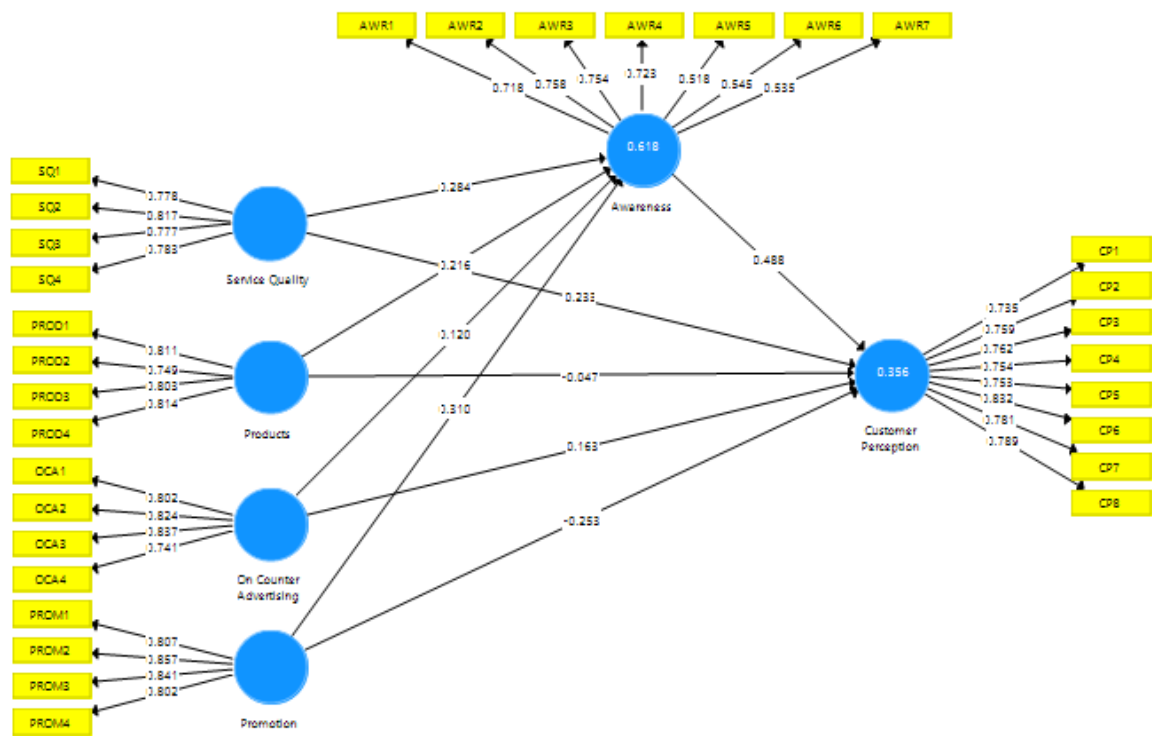
4 Discussion and Analysis

Self-administered questionnaires were used to gather the data, and they were given to respondents at various Pakistani bank locations. Customers of Islamic financial services are the sample for two primary reasons. First, Islamic banks must increase their market shares of deposits and financing in Pakistan's financial sector if the government hopes to establish Pakistan as a major hub for Islamic finance in the region. This invariably forces them to comprehend the opinions of their clientele, which in turn calls for banks to have a thorough understanding of the variables that might influence the need for Islamic banking in Pakistan. This part presents the findings from the hypothesis testing as well as an overview of the research topics.

4.1 Measurement Model Analysis

When many people take the same measurement at various times, reliability refers to how repeatable the measurement is. "Cronbach alpha is the statistics for determining reliability based on internal consistency," state (Lind, Marchal, & Wathen, 2018). If a study's measure's Cronbach's coefficient alpha is 0.6 or above, it is considered dependable.

Figure 5
Outer Loading



The validity and reliability tests are two important tests to consider when assessing a model's quality of measure. (Sekaran & Bougie, 2009) define validity as an assessment of the produced instrument's suitability for measuring a certain research topic, whereas reliability is a test of the instruments' consistency.

Table 1.1
Measurement Model Analysis Result

Construct	Item	Convergent Validity	Internal Consistency Reliability		Discriminant Validity	
		AVE	Cronbach Alpha	Composite Reliability	HTMT	VIF
		>0.50	0.60-0.90	0.60-0.90	Confidence Internal Does Not Include 1	<5.00
Awareness	7	0.533	0.773	0.839	Yes	1.656
Customer Perception	8	0.594	0.902	0.921	Yes	2.118
On Counter Advertising	4	0.643	0.814	0.878	Yes	1.744
Products	4	0.632	0.805	0.873	Yes	1.806
Promotion	4	0.684	0.846	0.896	Yes	1.939
Service Quality	4	0.623	0.798	0.868	Yes	1.610

Table adapted from Hair et al. 2017

*AVE: Average Variance Extracted; HTMT: Heterotrait-Monotrait Ratio; VIF: Collinearity Statistic

4.2 Reliability and Validity

A thorough examination of the measurement model is shown in Table 1.1, with an emphasis on many important aspects of the investigated constructs. The effectiveness of each construct is assessed in terms of discriminant validity, internal consistency, and convergent validity. The results of the Average Variance Extracted (AVE) analysis show that all constructs have convergent validity. They range from 0.533 to 0.684, over the 0.50 criterion, indicating adequate alignment across several measurements of the same construct. Furthermore, Cronbach's alpha and composite reliability scores, which measure internal consistency reliability, show how strong the constructs are. Cronbach's alpha values fall between 0.773 and 0.902, while composite reliability scores range between 0.839 and 0.921, all within the standard range of 0.60 to 0.90. Moreover, the assessment of discriminant validity using Heterotrait-Monotrait (HTMT) ratios validates the uniqueness of the constructs. All HTMT ratios have confidence intervals that do not include 1, signifying a satisfactory level of discriminant validity. All of these findings point to the measurement model's successful capture of the study's target constructs, guaranteeing validity and reliability of the measuring procedure.

Table 1.2
Heterotrait-Monotrait Ratio HTMT

	AWR	CP	OCA	PROD	PROM	SQ
Awareness – AWR	0.832					
Customer Perception - CP	0.807	0.763				
On Counter Advertising – OCA	0.839	0.475	0.822			
Products – PROD	0.829	0.323	0.824	0.854		
Promotion – PROM	0.856	0.565	0.711	0.851	0.775	
Service Quality – SQ	0.756	0.541	0.701	0.751	0.654	0.735

Table 1.2 offers a comprehensive examination of the Heterotrait-Monotrait Ratio (HTMT) for the considered items. This ratio is an essential measure of discriminant validity. This ratio contrasts the correlations within a single construct (monotrait) with the correlations between distinct constructs (heterotrait). When the discriminant validity is less than 1, it indicates that the constructs are sufficiently different from one another.

The HTMT ratios consistently fall below 1 for all studied constructs, demonstrating adequate discriminant validity. In particular, the HTMT ratios with other constructs for Awareness (AWR), Customer Perception (CP), On Counter Advertising (OCA), Products (PROD), Promotion (PROM), and Service Quality (SQ) are generally less than 1. For example, Awareness exhibits HTMT ratios with other constructs ranging from 0.756 to 0.856, all below the threshold of 1. Ratios for Customer Perception and On Counter Advertising are 0.323 to 0.763 and 0.475 to 0.839, respectively. In addition, the HTMT ratios for Products, Promotion, and Service Quality are all continuously below 1, with values ranging from 0.323 to 0.854, 0.711 to 0.856, and 0.654 to 0.756, respectively. All of these results corroborate the validity of the measuring approach used in the study and confirm the uniqueness of the constructs being studied. All pairs of constructs consistently meet the condition of HTMT ratios less than 1, which highlights the strength of the conception and measurement of the constructs and increases the validity and dependability of the study findings.

The results of the Fornell-Larcker criteria, which is a technique used to evaluate the discriminant validity of constructs in a measurement model, are shown in Table 1.3. This

criteria compares each construct's associations with other constructs to the square root of the Average Variance Extracted (AVE). If a concept has a square root of AVE greater than its correlations with other constructs, it is said to have discriminant validity. The table illustrates this: the off-diagonal entries show the correlations between construct pairings, but the diagonal entries show the square root of the AVE for each construct.

Table 1.3
Fornell-Larcker criterion

	AWR	CP	OCA	PROD	PROM	SQ
Awareness – AWR	0.658					
Customer Perception – CP	0.550	0.771				
On Counter Advertising – OCA	0.639	0.405	0.802			
Products – PROD	0.661	0.408	0.669	0.795		
Promotion – PROM	0.667	0.288	0.681	0.544	0.827	
Service Quality – SQ	0.673	0.483	0.573	0.687	0.553	0.789

Close examination reveals that the square root of AVE for every component routinely exceeds its connections with other constructs. In contrast to their connections with other variables, the square root of AVE for Awareness (AWR), Customer Perception (CP), On Counter Advertising (OCA), Products (PROD), Promotion (PROM), and Service Quality (SQ) all show greater values. This suggests that each construct is unique as it collects a greater amount of variance from its own indicators than it does from those of other constructs. In light of this, the Fornell-Larcker criteria results support the measurement model's constructs' discriminant validity by emphasizing their capacity to accurately represent distinctive features of the experimental phenomena.

Table 1.4
R-Square

	R Square	R Square Adjusted
Awareness	0.618	0.610
Customer Perception	0.356	0.340

Table 1.4 presents the R-Square and R-Square Adjusted values for two discrete constructs: Customer Perception and Awareness. In a regression model, R-Square indicates the percentage of the dependent variable's variation that the independent variables account for. R-Square Adjusted provides a more sophisticated statistic that takes model complexity into consideration. With regard to Awareness, the R-Square value of 0.618 suggests that the predictors account for around 61.8% of the variability in Awareness. The matching R-Square Adjusted value drops to 0.610 to reflect the complexity of the model.

On the other hand, for customer perception, the adjusted value is somewhat lower at 0.340 and the R-Square value of 0.356 indicates that the predictors account for around 35.6% of the variation in customer perception. Higher scores indicate a better fit between the model and the data, which provides insight into how well the regression models explain the variability in the constructs. As a result, these results offer insightful information about the models' ability to predict Awareness and Customer Perception in the context of the research.

Table 1.5 provides a thorough examination of the direct impacts of different connections on the Awareness and Customer Perception constructs. Each link is carefully assessed using statistical metrics that reveal the extent and importance of its influence, including the original sample mean, standard deviation, T statistics ($|O/STDEV|$), and P values. Strong T statistics of 4.758 and 4.129, respectively, and strikingly low p-values of 0.000

demonstrate the noteworthy influence interactions involving Service Quality have on both Awareness and Customer Perception. Similarly, strong T statistics of 3.188 and 4.256, as well as low p-values of 0.002 and 0.000, respectively, corroborate the associations between Products and Promotion, which likewise have a significant influence on Awareness. These results highlight how important it is for particular elements—like Products, Promotion, and Service Quality—to shape Consumer Perception and Awareness in the setting of the study.

On the other hand, a number of interactions have no discernible influence, such as those between Promotion and Customer Perception, On Counter Advertising and Awareness, Products and Customer Perception, and On Counter Advertising and Customer Perception. The higher p-values linked to these associations provide clarification, since they suggest that there is no statistically significant impact on Customer Perception or Awareness. It is important to remember that even while the influence might not be statistically significant in some situations, the underlying links between the variables might still be relevant in real-world situations or need more research. Furthermore, a strong T statistic of 5.540 and a low p-value of 0.000 establish the association between Awareness and Customer Perception as very important, underscoring the critical interaction between these dimensions.

Figure 6
Structural Model

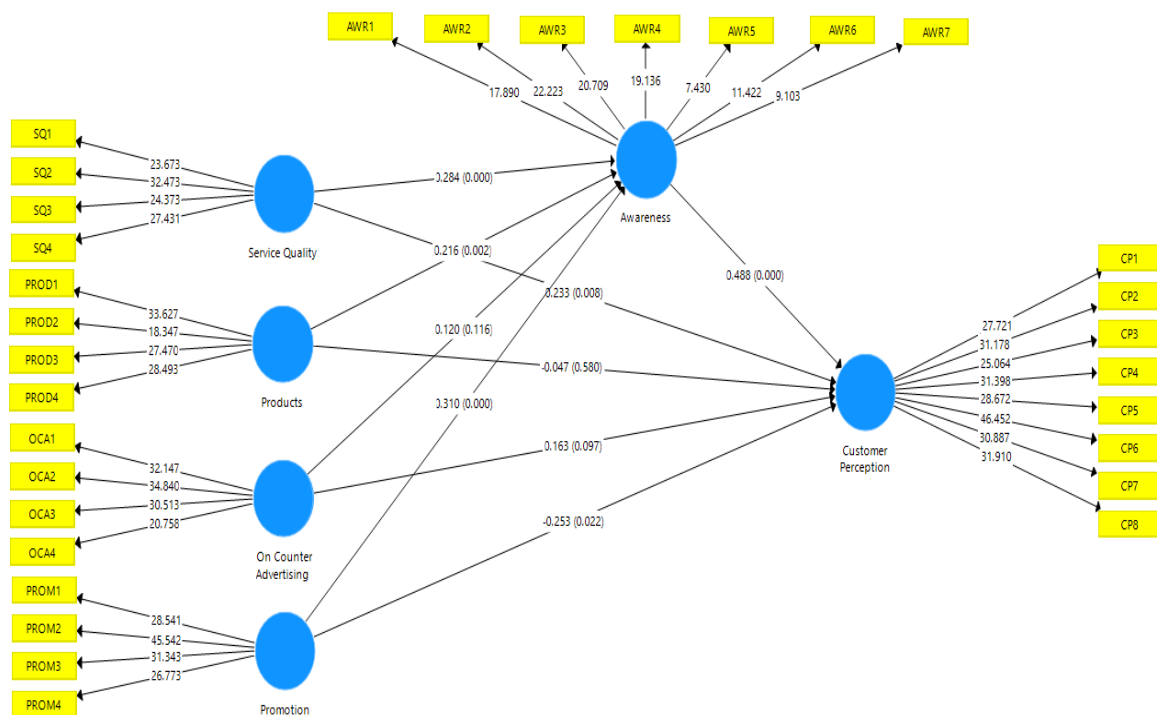


Table 1.5
Direct Effect

Relationship	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	Decision
Service Quality -> Awareness	0.284	0.282	0.060	4.758	0.000	Supported
Service Quality -> Customer Perception	0.372	0.379	0.090	4.129	0.000	Supported
Products -> Awareness	0.216	0.220	0.068	3.188	0.002	Supported
Products -> Customer Perception	0.058	0.063	0.088	0.662	0.508	Not Supported
On Counter Advertising -> Awareness	0.120	0.114	0.076	1.576	0.116	Not Supported
On Counter Advertising -> Customer Perception	0.222	0.217	0.106	2.089	0.037	Supported
Promotion -> Awareness	0.310	0.321	0.073	4.256	0.000	Supported
Promotion -> Customer Perception	-0.101	-0.103	0.105	0.960	0.337	Not Supported
Awareness -> Customer Perception	0.488	0.496	0.088	5.540	0.000	Supported

Table 1.6
Indirect Effect

Relationship	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	Decision
On Counter Advertising -> Awareness -> Customer Perception	0.058	0.057	0.040	1.446	0.149	Not Supported
Products -> Awareness -> Customer Perception	0.106	0.108	0.038	2.788	0.005	Supported
Promotion -> Awareness -> Customer Perception	0.151	0.160	0.050	3.029	0.003	Supported
Service Quality -> Awareness -> Customer Perception	0.139	0.139	0.038	3.669	0.000	Supported

Through the mediating variable of Awareness, the data shown in Table 1.6 illustrates the indirect impacts of On Counter Advertising, Products, Promotion, and Service Quality on Customer Perception. The original sample mean, standard deviation, T statistics ($O/STDEV$), P values, and the determination of whether or not the indirect effect is supported are among the statistical metrics used to assess each association. The first sample result for the correlation between On Counter Advertising and Customer Perception via Awareness is 0.058. However, the indirect effect is not considered supported due to the T statistic of 1.446 and the comparatively high p-value of 0.149.

On the other hand, there is evidence to support the indirect impacts of products, promotions, and service quality on customer perception through awareness. With a T statistic of 2.788 and a low p-value of 0.005, Products' initial sample value of 0.106 indicates significant support. Similarly, with original sample values of 0.151 and 0.139, respectively, T statistics of 3.029 and 3.669, and incredibly low p-values of 0.003 and 0.000, respectively, Promotion and Service Quality show even higher support. Stated differently, there is insufficient evidence to support the indirect impact of on-counter advertising on customer perception through awareness. Conversely, there is strong evidence to support the indirect effects of products, promotion, and service quality on customer perception through awareness, underscoring the important role that awareness plays as a mediator in these relationships. These findings imply that products, promotions, and service quality have a somewhat mediating effect on customer perception through their influence on awareness.

5 Conclusion and Recommendation

5.1 Conclusion

In the context of Pakistan's Islamic banking industry, the study looks at the validity and dependability of concepts including customer perception, on-counter advertising, products, promotion, and service quality. The study validates these constructs' strength through analysis. While direct effects analysis highlights the important effects of parameters like Service Quality and Promotion on Awareness and Customer Perception, regression analysis goes further in revealing how much the models explain variation. Furthermore, the mediation analysis underscores the pivotal function that Islamic awareness serves in molding customer attitudes, stressing the importance of components such as trust, service excellence, and Islamic awareness in molding customer conduct and purchase intents within Pakistan's Islamic banking sector.

Through the mediating variable of awareness, the research findings investigated the indirect impacts of On Counter Advertising, Products, Promotion, and Service Quality on Customer Perception and determined support for these linkages. Products, Promotion, and Service Quality have a large indirect impact on customer perception via awareness, but there is little evidence to substantiate the link between on-counter advertising and customer perception through awareness. Products have a big impact, but the benefits of promotion and

service quality are much more pronounced. These results highlight Awareness's critical position as a mediator, implying that Awareness plays a partial mediating role between Products, Promotion, and Service Quality's impact on Customer Perception.

The study's key finding is that the caliber of services offered by Islamic banks frequently determines how satisfied customers are. The ability of staff to inspire confidence and trust in customers, the efficiency and effectiveness of handling any transaction, the courteous and respectful treatment of customers, and the staff's knowledge and readiness to respond to inquiries about the goods and services offered by Islamic banks are all indicators of the quality of services. As a result, Islamic bankers can no longer rely on a marketing plan to draw in devout and religious clients who could be solely interested in Islamic banking products. Thus, the only explanation for why promotion elements don't offer empirical evidence supporting customer happiness Considered a crucial success element that impacts an organization's competitiveness, the significant insights gleaned from the ranking of banking services selection criteria suggest that Islamic banks must improve the quality of their services.

The fundamental idea behind that is what do customers believe about these methods, how well do they comprehend these tactics, and do they feel satisfied or not? I hope the reader won't find it confusing and that it will clarify my results more. Based on available data, it appears that the existence of Islamic financing necessitates a significant level of market segmentation with regard to individual customers. It makes sense that religious conviction would be a major factor in determining the use of Islamic finance services, but most customers also consider pricing, service quality, and bank reputation when choosing which financial institution to use. However, a number of studies have shown minimal evidence of significant differences between the salient characteristics of conventional and Islamic financial goods and services, indicating that religious beliefs can be relevant in ancillary contexts. However, the overall lack of consumer understanding about Islamic finance procedures, particularly among immigrant groups and nations without an established Islamic finance system, poses a challenge to the Islamic banking business. This puts a lot of focus on creating marketing and informational campaigns to go along with the launch of new businesses, services, and organizations.

5.2 Recommendation

While attitudes, opinions, and knowledge about conventional financial institution goods and services have been widely and thoroughly analyzed, the comparable examination of these same issues in Islamic banking is still in its early stages. Research in several areas should follow these recommendations. First, there is still much to learn about how religious beliefs influence the financial decisions made by both Muslims and non-Muslims. There is still a lot to learn about consumer behavior using more advanced choice modeling approaches and larger samples, even with the literature on Islamic banking developing. Secondly, a specific national context has been the focus of the majority of the current research on attitudes, views, and knowledge regarding Islamic finance. As a matter of fact, only few works offer any kind of global comparison. The results of surveys conducted, for example, in nations with mostly Islamic financial systems, in nations with dual financial systems, and in a third nation early on in the development of Islamic banking would then be fascinating to compare.

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