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The Marketing Of The Islamic Banks' Services In Jordan

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Thesis Submitted In Fulfilment Of The
Requirements For The Degree Of
Doctor Of Philosophy

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DEDICATION

To: My Parents

My Wife

My Children

My Brothers & Sisters

DECLARATION

No portion of the work referred to in this study has been submitted in support of an application for another degree or qualification to this or any other university or institution of learning

Abstract

The purpose of this empirical study was to explore the extent to which the marketing concept had been accepted and implemented by the Islamic banks in Jordan. To achieve this, a survey of the Islamic banks' managers and customers was carried out. The survey questioned the managers, at both senior and branch levels, concerning their opinions about the understanding, acceptance and implementation of the marketing concept. Customers' opinions were also explored with particular regard to the factors considered to be important in choosing to bank with Islamic banks; services used; personal characteristics; the importance of promotional media; and the banks' role in informing customers about the Islamic banking concept.

The findings of the study were that Islamic banks in Jordan have a narrow understanding of the marketing concept. These banks were found to be value - rather than profit-orientated. They accepted many of the facets of the marketing concept such as customer orientation, profit orientation and social orientation, while they downgraded the status of marketing activities. It was found that while some customers were gained from the nonbanking segment of the market, the banks won approximately two thirds of their customers from conventional banks.

However, some customers were not impressed by the Islamic banks to the extent that they continued their patronage of other banks.

This study is important in the light of the increasing growth of Islamic banks. It provides empirical data about the marketing orientation of the Islamic banks in Jordan which cannot be found elsewhere. It contributes to a better understanding of the ways in which the banks could increase their effectiveness by providing guidelines and the implications for marketing strategies.

The research methodology and instruments used will help researchers to conduct studies in the field of financial services marketing in the Arab-Muslim countries.

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Table of Contents

Chapter	Page No.
Chapter One: Introduction	1
1.1 Statement of the problem	1
1.2 Features of the problem	3
1.3 Research objectives and questions to be answered	8
1.4 Importance of the study	11
1.5 Limitations of the study	14
1.6 Definition of terms	15
1.7 Summary	20
 Chapter Two: Banking system in Jordan	
2. Introduction	22
2.1 Importance of the banking system	22
2.2 Historical back ground	24
2.3 Components of the banking system	25
2.3.1 Central Bank of Jordan	25
2.3.2 Commercial Banks	33
2.3.3 Specialized credit Institutions	34
2.3.4 Non Banking Financial Instututions	35
2.3.5 Other Financial Institutions	37
2.4 Summary	39

Chapter Three: Islamic banking	40
3. Introduction	40
3.1 Islamic banking	40
3.2 Evolution of Islamic Banking	42
3.3 History of Islamic Banking	45
3.4 Objectives and Philosophy of Islamic banking	49
3.5 Reasons for not using interest	55
3.6 Misconception of Islamic banking	63
3.7 Problems facing Islamic banks	65
3.8 Performance of Islamic banks	70
3.9 Summary	73
Chapter Four: Islamic banking in Jordan	75
4. Introduction	75
4.1 History of Islamic banking	75
4.2 Objectives of Islamic banks	76
4.3 Analysis of performance	79
4.3.1 Jordan Islamic Bank	79
4.3.2 Jordan finance House	87
4.4 Summary	90
Chapter Five: Literature Review: Bank Marketing	92
5. Introduction	92
5.1 Marketing: Definitions and concept	93
5.2 Product versus service marketing	102

5.3	History of Bank Marketing	114
5.4	Bank marketing strategy	126
5.4.1	Bank marketing	126
5.4.2	Market Research	133
5.4.3	Bank marketing strategies	137
5.4.4	Target market and segmentation	141
5.4.5	Marketing mix	147
5.4.5.1	Bank product (services)	151
5.4.5.2	Pricing of Bank services	164
5.4.5.3	Distribution of Bank services	171
5.4.5.4	Promotion	204
5.4.5	Summary	230

Chapter Six: Research Design and Methodology

6.	Introduction	239
6.1	Identification of the Research problem	239
6.2	Research Strategy	242
6.2.1	Identification of the population and the sample	243
6.3	Development of the research instruments	247
6.3.1	Selection of variables	247
6.3.2	Development of the questionnaire	248
6.3.3.	Types of questions used	249
6.3.4	Structure of the instrument	250
6.4	Administrative communications and interviews	257
6.5	The pilot study	258
6.6	The field work	260
6.7	Statistical analysis	262

6.8 Summary	272
-------------	-----

Chapter Seven: Research Findings and Results

The understanding and The acceptance of the marketing concept

7. Introduction	274
7.1 The findings of the survey	275
7.2 A description of Islamic Banks	276
7.3 Areas of differences between Islamic Banks and conventional banks	279
7.4 Importance of the possible banking goals for Islamic banks in Jordan	284
7.5 The marketing concept	287
7.5.1 Understanding the marketing concept	287
7.5.2 Importance of the marketing concept	293
7.5.3 Facets of the marketing concept	295
7.5.3.1 Customers orientation	295
7.5.3.2 Profit orientation	298
7.5.3.3 Integration of the marketing activities	300
7.5.3.4 The social responsibility	305
7.6 Summary	307

Chapter Eight: Research Findings and Results

Application of the marketing concept

8. Introduction	311
8.1 The findings of the survey	312
8.2 Market research in Islamic Banks	312

8.3	The marketing mix	318
8.3.1	Product/service	319
8.3.2	Price	323
8.3.3	Place	327
8.3.4	Promotion	346
8.4	Summary	356

Chapter Nine: Islamic Banks customers' Survey

Customers' Banking Habits

9.	Introduction	360
9.1	Main personal attributes of Islamic banks' customers	361
9.2	Banking habits of Islamic banks' customers	376
9.3	Influential role of Islamic banks	381
9.4	Islamic banks customers' knowledge about Islamic banks	285
9.4.1	Islamic banks role in informing their customers	387
9.4.2	Banking habits and knowledge about the Islamic banks in Jordan	388
9.4.3	Banking attitudes of Islamic banks' customers and their knowledge about their banks	390
9.4.4	Personal attributes and knowledge about Islamic banks	394
9.5	Summary	400

Chapter Ten: Services used by Islamic banks' customers	405
10. Introduction	405
10.1 Bank services used by the Islamic banks customers	406
10.1.1 Conventional bank services	406
10.1.2 Islamic bank services	421
10.2 Summary	431
Chapter Eleven: Islamic banks customers' Relationship with their Banks.	435
11. Introduction	435
11.1 Islamic Banks selection criteria	436
11.1.1 Islamic banks selection criteria (customers' opinion)	438
11.1.2 Islamic Banks' selection criteria (Branch managers' opinion)	450
11.1.3 Comparison between the opinions of branch managers and the Islamic bank customers regarding the important selection criteria	456
11.2 Islamic banks' role in informing their customers about Islamic banks concepts	460
11.3 The importance of the promotional media used	465
11.4 Summary	473

Chapter Twelve: Conclusions, Recommendations and Implications of the Research.	475
12. Introduction	475
12.1 Findings and conclusions pertaining to the Islamic banks managers' study	477
12.2 Findings and conclusions pertaining to the Islamic banks customers' survey	488
12.3 Implications for marketing strategy for Islamic banks in Jordan	499
12.4 Implications for future research	507
Bibliography	511
Appendices:	
Appendix 1: Senior Executive Questionnaire	
Appendix 2: Branch Managers Questionnaire	
Appendix 3: Islamic Bank Customers Questionnaire	

List of Tables and Figures

		Page No.
Figure 2.1	The percentage contribution of the different sectors of the economy of Jordan to the GDP	23
Figure 2.2	The Components of The Jordan Banking System .	26
Table 2.1	The Exchange Rate of the Jordanian Dinar	30
Table 3.1	The main Islamic banks established in the world	50
Table 3.2	Business activities of some Islamic banks	51
Table 4.1	Trends of business activities of the Jordan Islamic Bank.	85
Table 4.2	Sources of financing for Islamic banks and conventional banks in Jordan.	86
Table 4.3	The balance sheet of the Jordan Islamic bank.	89
Figure 5.1	Summary of the service characteristics, problems and marketing strategies.	111
Figure 5.2	The changing climate of banking	125
Figure 6.1	Steps taken in the sampling process.	245
Table 6.1	Number of customers used in the sample and the response rate.	246
Table 7.1	Description of Islamic banks in Jordan as viewed by their managers	277
Table 7.2	Areas of differences between Islamic banks and conventional banks	283
Table 7.3	Importance of banking goals for Islamic banks	285
Table 7.4	Understanding of the marketing concept	289

Table 7.5	Opinions of Islamic banks managers regarding their understanding of the marketing concept	291
Table 7.6	Importance of the marketing concept	293
Table 7.7	The customer orientation of the bank	297
Table 7.8	The profit orientation of the bank	299
Table 7.9	The status of the marketing department and the integration of the marketing activities	304
Table 7.10	The social responsibility of the bank	306
Table 8.1	Areas of market research	314
Table 8.2	Mean score of the opinions of Islamic bank managers towards market research	316
Table 8.3	Factors considered in introducing a new service	320
Table 8.4	Importance of pricing objectives	324
Table 8.5	Importance of the pricing policies	326
Table 8.6	Importance of methods considered in terms of increasing the availability of Islamic bank services	329
Table 8.7	Importance of factors in decisions as to whether or not to open new branches or install ATMs	333
Table 8.8	Characteristics of a good branch manager	337
Table 8.9	The role of the branch manager as perceived by Islamic banks' branch managers	339
Table 8.10	Importance of some of the main Islamic banks' activities	341
Table 8.11	Time spent on tasks by Islamic branch managers	342
Table 8.12	Importance of branch managers recommendations to top management	345

Table 8.13	Importance of advertising objectives	348
Table 8.14	The frequent use of advertising and promotional media by Islamic banks	351
Table 9.1	Distribution of Islamic banks customers according to their sex	362
Table 9.2	The marital status of Islamic banks' customers and their sex	362
Table 9.3	Frequency distribution of Islamic banks' customers age group	364
Table 9.4	Distribution of the age groups of Islamic banks' customers according to their sex	365
Table 9.5	Educational level of customers and their sex	366
Table 9.6	Annual income of customers according to sex	368
Table 9.7	The marital status of Islamic banks' customers and their age groups	369
Table 9.8	Marital status and educational levels of customers	370
Table 9.9	Marital status and annual income of customers	372
Table 9.10	Age group of customers and their educational levels	373
Table 9.11	Age groups and annual income of customers	375
Table 9.12	Educational levels and annual income	377
Table 9.13	Banking habits of Islamic banks' customers according to the branch they deal with	379
Table 9.14	The influential role of Islamic banks on their customers	382

Table 9.15	Period of time Islamic banks'customers first knew about the Islamic banks	386
Table 9.16	The role of Islamic banks in informing their customers about Islamic banking in general	388
Table 9.17	Customers of Islamic banks whether they were banking or nonbanking before and their first knowledge about Islamic banks	389
Table 9.18	Banking attitudes of customers and the period within which they first learnt about Islamic banks	391
Figure 9.1	Banking habits of Islamic bank customers	398
Table 9.20	Statistical results of the chi square, and correlation used	399
Diagram 10.1	Conventional banks' services used by Islamic banks customers .	409
Table 10.1	Use of current account service offered by conventional banks and the use of services	411
Table 10.2	The use of other services by users of letters of credit and users of letters of guarantee	419
Figure 10.1	Relationship between conventional bank's services used by Islamic banks customers	422
Diagram 10.2	Islamic banks' services used by customers	423
Figure 10.2	Relationship between the use of Islamic banks services	438
Table 11.1	The importance of the Islamic banks' selection criteria (customers' and branch managers' opinion)	439

Table 11.2	Correlation Matrix (Islamic banks' choice criteria customers opinion).	443
Table 11.3	Factor Matrix of Islamic banks choice criteria (customers' opinions).	445
Figure 11.1	Summary of factors considered important in the banks selection criteria (Islamic banks customers' opinion).	449
Table 11.4	Islamic bank customers choice criteria, correlation Matrix (branch Managers' opinions).	451
Table 11.5	Factor Matrix of Islamic banks customers' selection criteria (Branch Managers' opinions).	452
Figure 11.2	Summary Of factors considered important in the banks' selection criteria (Branch Managers Opinion).	457
Table 11.6	The importance of the Islamic banks' role in informing their customers about Islamic banks' concepts.	461
Table 11.7	The chi square test of significance between the marital status, sex of customers and the importance of the Islamic banks' role in informing customers about the Islamic banking concepts.	462
Table11.8	Analysis of variance (The role of the Islamic banks in informing customers about Islamic banking concepts).	464
Table 11.9	The importance of the promotional media used by Islamic banks in Jordan.	466
Table 11.10	The chi square test of significance between	468

the marital status, sex of the customers, and the importance of the promotional media used by the Islamic banks in Jordan.

Table 11.11	Analysis of variance: The importance of promotional media used by the Islamic banks and some personal attributes of customers.	469
Table 11.12	Correlation between period of knowledge and the promotional media.	472

Chapter One

Introduction

This chapter intends to present the research problem, research objectives, significance of the study, clear definitions of main terms used, the limitations of the study ,and the layout of the thesis.

1.1 Statement of the problem

More emphasis has been given by theorists to the discussion of marketing of goods than services. Before the mid 1950s, little understanding or regard to service marketing was given. Banks as service institutions were production orientated, concentration were on the banks buildings to impress the public (Kotler 1979).

Marketing first came to banks in the form of advertising and promotion rather than in the form of the marketing concept in the late 1950's in the United States and even later in Britain. Problems arising from literature concerning marketing of bank services in the Western Societis can be summarized as follows:

a- The majority of bank managers are not motivated towards marketing due to the bad image of the marketing concept. (see Turnbull and Watton 1974). Thus, Baker (1977a), and Wasem (1972) state that marketing was considered degrading and demeaning.

b- Branch managers do not lack interest in marketing but they have according to Watson (1974) a serious misunderstanding of what a marketing approach to financial services implies for them personally.

c- Most bankers tend to define marketing as a function rather than a concept or a philosophy (see Tylor,1975). According to Knox (1975) they sold their services in a conservative way waiting for business to come to them rather than actively going out looking for business.

During the 1970's, there was some misunderstanding of the marketing concept by banks and failure of application.(see Stanton ,1975, Berry ,1977, Baker ,1977b).

d- In spite of the spread of marketing into banks (Wilson 1980), banks still appear to be "sales orientated".(Meidan 1983a).

e- There remains a big gap between the acceptance of the marketing concept and its application by banks. Lewis (1985) argues that banks have been forced to become marketing orientated, and the acceptance of the marketing concept and philosophy has been forced on them. This gap between the acceptance of the marketing concept and its application by banks was recognised by McIver and Naylor (1980). In their words:

"Members of the banking community have established both misunderstanding of the major principles of the concept and a failure to reflect these into their day to day marketing operations".

1.2 Features of the problem

It can be concluded from the above discussion that:

a- Service firms, particularly banks, have been slow to integrate marketing into their business activities.

b- Banks are said to be reluctant about the adoption of the marketing concept into their activities, due to misunderstanding of the major principles of the concept, misconnection of the word "marketing", and the failure to reflect the principles of the marketing concept in their day-to-day marketing operations.

c- Literature argues that marketing is very relevant to the banks, and if banks are to succeed, then they must adopt the marketing concept; But how to translate concept into practice?. Baker (1977) argues that the first step is to find out what people want.

d- The banking industry in the developing countries appears to be slow in developing and implementing the marketing concept; no studies about bank marketing are carried out in the developing countries.(Kumcu and Karafokiogu,1985).

New types of banks are newly introduced to the market of the banking industry in Muslem and other countries, They are called Islamic banks, and were first introduced to the banking market in the 1960's. They conduct non-usurious banking business i.e offer banking services, financing, and investment; they produce the banking services according to the principles of the Islamic religion. Sabri & Jabr (1985) define these banks as :

"banks which do not pay or receive interest. They accept deposits of different kinds as other ordinary banks do, and render most of the standard banking services, but they differ in the way they treat banking services and in the investment field, they do not grant loans with interest, on the contrary, they assume the risk of participating in financing projects and other activities with their clients on a profit and loss sharing basis".

The development and growth of Islamic financial institutions since the 1970's has been remarkable, since that time more than 100 Islamic banks and financial institutions have been established around the world with estimated deposits of ten to fifteen billion dollars (Hittle,1986).

It is worth noting that Islamic banking system and the conventional system can exist in parallel to each other. (Quasim 1986, Prince Muhammed Al Faisal 1986). In the words of Prince Al Faisal:

"Today our institutions deal with some 180 interest banks, we deal on the basis of Sharia, but we deal with them as long as they accept our system when they're dealing with us, I am not claiming Islamic banking is better, I think the market should determine that, what I am saying is that I, and many other Moslems, are not willing to invest our money or to work on a basis of something the Sharia (Islamic law) has forbidden".

One can conclude from the statement of Prince Al Faisal who is considered one of the pioneers in the establishments of Islamic banks, that these banks are found to serve a distinct

segment of the market, This segment perceives conventional banks as selling something prohibited in Islam, which is "usury". This segment was not dealing with banks, the home-safe method of saving was the most prevalent, a bank account was unacceptable alternative due to social and religious beliefs that interest is prohibited, and the banks image is that "they sell usury". This means that most of the savings of this segment were hoarded which is also prohibited in Islam. The Holy Quran (Surah Tauba, verses 35-36) prohibits hoarding.

Arab Muslims as well as other dedicated Muslims, consider { Riba} usury an unforgivable sin, therefore, it is very common for bank customers in Muslim countries to have deposits amounting to hundreds or thousands of pounds without receiving any interest on these deposits. This segment of the market deals with banks by maintaining its savings in a current account (non-interest bearing account) but still customers are still suspicious of dealing with a usurious firm, they also hesitate to borrow from conventional banks for financing their businesses.

The market for Islamic banks was ready. Two main segments were waiting for the establishment of Islamic banks. These were:-

1. Those who already had the banking habit, were dealing with other banks because the other alternative did not exist
2. The non banking customers who were not dealing with banks at all for religious and social reasons.

Schultz (1986) argues that the Islamic banking system had to be created in order to serve the needs of the 700 million and marketing developments in Islamic banks are very important to help satisfy the needs of Muslims for bank services.

Islamic banks have now become a reality, Islamic banks have invaded the large non banking market in the world and gained part of the banking one, due to their image as a banking system stresses the delivery of non-usurious services.(Moutinho & Jabr forthcoming 1990). Thus Islamic banks mission was, still and should be "selling banking services refined from Riba" (interest) (Jabr & Sabri 1986).

The seventies showed the existence of many banks working according to Islamic principles in many countries of the world. Jordan was no exception, the first Islamic bank established on October 1978; then followed in 1982 by the Jordan Finance House which offers banking services according to Islamic principles. These are considered the main two Islamic banks in Jordan. It is expected that another new Islamic bank called(*National Islamic bank*) is to be established in Jordan in the coming few months.

It is evident from the above discussion that it is easy for Islamic banks to attract customers, but it is difficult to maintain and convert them into loyal customers. Therefore, as Islamic banks start to be a threat to conventional banks, they face a big challenge in marketing their services. In Jordan both

types of banks are found, conventional which are old and experienced and Islamic banks which are newly established. Islamic banks in Jordan as well as other Islamic banks in other countries have to create and maintain the image of Islamic banking. Their marketing strategies should focus on "selling services refined from Riba"(usury), suitable to satisfy customers and society needs, priced according to Islamic religion, profit and loss sharing scheme is to be emphasized, several branches and ATM's to be opened in different places to serve customers quickly and easily, benefit from technology to sell ease and speed, buildings entrances to be attractive, helpful, efficient, courteous staff to be recruited and trained, modern and efficient means of promotion to be used to promote the bank to the staff as well as to customers, general public and to the world.

The Jordanian banking system has limited application and introduction of marketing. No one bank has a specialized marketing department whether conventional banks or Islamic banks. In Jordan, as well as other Muslem countries there is limited application of Islamic economics in general and Islamic banking in particular and several unique problems have risen (Abdelmagid,1981). Only two seminars about bank marketing were conducted in Jordan in 1977, and 1987. The first one was held before the establishment of Islamic banks in Jordan,while Islamic banks participation in the second one was neglected. Thus, the acceptance and application of the marketing concept by Islamic banks in Jordan presents a rewarding area of study.

1.3 Research Objectives, and Questions to be answered

The introduction of the marketing concept into the banking industry has been one of the major areas of research in the last three decades. A considerable amount of research has been undertaken to investigate the acceptance and implementation of the marketing concept by banks in the Western countries. Very few studies have been undertaken regarding bank marketing in the developing countries.

A major objective of this research study is the clarification and analysis of the attitudes of Islamic banks in Jordan towards the marketing concept as reflected by the opinions of their senior executives and branch managers towards the marketing concept, in addition to the clarification and analysis of the customers perceptions and opinions towards Islamic banks marketing strategies. Hence, the objectives of this study can be summarized as:

1. To determine how Islamic banks managers in Jordan best describe their banks, and their opinions regarding the area of differences between Islamic banks and conventional banks.
2. To determine the most important banking goals as perceived by Islamic banks in Jordan.
3. To determine the extent to which Islamic banks managers understand the marketing concept.
4. To determine how important the marketing concept is

considered by Islamic banks' managers.

5. To determine the attitudes of Islamic banks managers towards the facets of the marketing concept (i.e. customer orientation, profit orientation, the integration of the marketing activities, and the social orientation).
6. To determine the Islamic banks managers opinions towards the marketing strategies as reflected by the marketing mix. (banks services, establishing, branches, pricing, and promotion).
7. To develop a basis for Islamic banks' marketing strategies in Jordan through exploring the following areas :
 - a- To classify Islamic banks' customers according to the main two segments mentioned above, banking and non banking segments before dealing with Islamic banks.
 - b- To classify customers according to services used from Islamic banks and from other banks.
 - c- To determine the factors Islamic banks customers consider in choosing to bank with Islamic banks.
 - d- To determine the importance of the promotional and advertising campaign in informing customers about the Islamic banks.
 - e- To determine the role of Islamic banks in informing their customers about their services and activities.
 - f- To determine the demographic variables of Islamic banks' customers.

More specifically, the study seeks to find sound answers to

the following research questions:

1. How Islamic banks managers in Jordan best describe their banks?
2. What are the main areas of differences between Islamic banks and conventional banks as perceived by Islamic banks managers?
3. What are the most important banking goals of Islamic banks as perceived by their managers?
4. How Islamic banks managers in Jordan understand the marketing concept?
5. How important is the marketing concept considered by Islamic banks managers in Jordan?
6. What are the opinions of Islamic banks managers towards the facets of the marketing concept ? (i.e.):-
 - a- Their opinions towards the customer orientation of the bank.
 - b- Their opinions towards the profit orientation of the bank.
 - c- Their opinions towards the integration of the marketing activities.
 - d- Their opinions towards the social responsibility of the bank.
7. What are the characteristics of Islamic bank customers in general?
 - a- What are the personal characteristics of the Islamic banks' customers whether were dealing with banks before the establishment of Islamic banks or not ?

b- When did Islamic banks customers first know about their bank.?

c- What are the main services rendered by Islamic banks, or other banks and used by Islamic customers.?

d- What are the main factors which Islamic banks customers consider in choosing to bank with Islamic banks.?

e- What are the most important promotional media used by Islamic banks as considered by their customers.?

f- How important is the Islamic banks role in informing their customers about their services.?

1.4 Importance of the Study

Banking is considered a very important sector of the economy, it provides the blood to other sectors, thus, making these sectors vital. Application of the marketing concept into the banking industry is very important to help generate savings by attracting depositors, and to channel these savings into the form of investment through marketing these savings to several sectors of the economy which help increase GNP and raise the standard of living of the country. The introduction of marketing into banking helps facilitate the attainment of this objective.

The study of bank marketing has received much attention during the last three decades from both a theoretical and an

empirical standpoint, This serious attention to the topic stems from the importance of marketing to business in general and the banking industry in particular.

Kumcu and Karafokiogu (1985) argue that no studies about bank marketing have been carried out in the developing countries. No research at all has yet been done in the field of the marketing of bank services in the Arabic countries, nor has there been any research done on the practices of Islamic banking (Elzubeir, 1984). The only study which has only recently conducted is about the marketing of Islamic bank services of The Faisal Islamic bank of the Sudan was by Elzubeir (1984). There is, therefore, an urgent need to study the degree and the success of the implementation of the marketing concept in the Islamic banking industry in Arab countries which are overwhelmingly Islamic . This study hopes to add to our global and cross cultural understanding of the marketing management.

Due to the rapid increase in the establishment of Islamic banks which provide financial services which are to some extent different from other conventional banks services, the marketing concept and its application by these banks can help these differentiated offerings to be available in an efficient way. Another important aspect of this study stems from the fact that it is the first systematic study about Islamic bank marketing in Jordan, and it is one of the very few studies about bank marketing in the Arab world as well as other developing countries. This study provides empirical data which is rarely found on the marketing orientation of Islamic banks. The

empirical data concerning Islamic banks in Jordan, its collection and analysis is one of the major contribution of this study; especially, if we know that effective market research in the banking industry in the Arab World until recently was almost nonexistent. (Hasan and Shook, 1986). This study hopes to provide necessary and important information to help Islamic bank managers in Jordan and elsewhere, employees, schools of business administration and researchers alike.

This study is expected to help open the door to further research of the phenomenon of bank marketing in Jordan and other Arab and Islamic countries from different perspectives and with different perceptions.

A further important contribution of this study is that it is about Islamic banks which are new types of banks . Although there is a huge amount of literature about bank marketing in the Western countries, very little amount of literature, if any, is found about Islamic bank marketing. Therefore, this study hopes to give information to the Western communities about Islamic banking in general and Islamic bank marketing in particular, and how Islamic banks and conventional banks can coexist together and benefit from each other in several areas.

The potential contribution of this study is the utilization of literature searched and investigated in the developing countries to test and examine the use of marketing techniques by Islamic banks in Jordan. Therefore, it is hoped that this research will contribute to the literature on bank marketing.

Another contribution of the study is the site of the research which is Jordan. This study is expected to pinpoint some of the marketing problems which face managers of Islamic banks in Jordan, and the recommendations as well as marketing strategies suitable to solve problem and sell the services of Islamic banks in Jordan effectively in order to increase customers' satisfaction, compete with other conventional banks and increase profitability through the implementation of modern marketing tools and techniques; hence light may be shed on the nature and cause of the problems facing Islamic banks in Jordan in the marketing of their services. Thus, those responsible for the effectiveness of these banks may be assisted by this research.

1.5 Limitations of the Study

When interpreting the results of this study some of the limitations are to be taken into considerations. These limitations are summarized here below:-

1. This is an exploratory study with no precedent in terms of its geographical location. This is the first to be carried out in Jordan. Thus the generalization of the results of this study is limited to Islamic Banks in Jordan.

2. This study takes into consideration Islamic banks in Jordan rather than conventional banks although they coexist with each other in the same environment. Therefore, results of this study might not be applicable to the banking system in Jordan in general. Studies about the marketing of conventional banks in

Jordan are needed.

3. Most of the questions included in the questionnaires are based on a five point scale. This implies that respondents are forced to choose one of the alternatives which may not reflect their opinion accurately.

4. The assignment of values for each of the five alternative answers on the scale may be subjective and yield inaccuracies .

5. This study is limited to the individual customers of the Islamic Banks rather than corporate ones.

6 Findings are tentative and point up general indications on which future studies can concentrate.

1.6 Definition of Terms

To avoid ambiguity, and to clarify terms which are not familiar to the reader, some terms which appear in this chapter as well as the subsequent chapters are defined here below:-

Islam: means "Submission to the will of God". Those who make this submission to obey God's laws will live an internal and enjoyable life in paradise.

Quran :The Holy Book of Islam, it is the God's words which were revealed to Muhammed: (P.B.U.H) and is now recorded in 114 chapters (Surahs). It is the same all over the world, with no difference even in any letter or a word (Arabic Origin).

Muslims: Those who accept Islam as a religion and a way of life.

Muhammed: (Peace Be Upon Him): is the last of a long line of prophets beginning with Adam and including Abraham (Ibrahim), Noah (Nuh), Moses (Musa) and Jesus (Isa) peace be upon them. The Law of Islam was revealed to Muhammed (P.B.U.H) through Gabriel (P.B.U.H). The heart of Islam belief is the oneness of God "The Shehadah". There is no God but Allah, and Muhammed is the messenger (Prophet) of Allah.

Sharia: Islamic laws, Islam is a religion of laws so comprehensive that it has rules for all human activities, personal and interpersonal. These laws are called Sharia, meaning the straight paths, it derives in varying degrees from four sources, the primary one being the Quran recognized as supreme by all Muslims, second is Sunna, third Qiyas, and fourth Ijma.

Sunna: The collection of Hadith (traditions, and saying of Muhammed (P.B.U.H).

Qiyas: determined by jurists whose decisions on various cases are based on analogous elements in preceding cases.

Ijma: The consensus of a group of judges representing the community.

Islamic Economics: is the knowledge and application of injunctions and rules of Sharia, which is a general Islamic Law which prevents injustice in the acquisition and disposal of material resources in order to provide satisfaction for human beings and enable them to perform their obligations to Allah and society. In this regard it is worth noting that one should not read the literature on Islamic economics as a description of the realities in the Muslim countries.

Riba: The holy Quran commands the Muslims not to take "Riba" Although some Muslim modernists have claimed that this old Arabic term means only usurious interest rate for consumption credits, while, the more widely accepted interpretation is that, any interest irrespective of the level of the interest rate and the purpose of the credit, is prohibited. Riba, then, is defined as a positive predetermined return on capital.

Zakat: "Alms giving" is the welfare tax to be collected from the rich people and distributed by the state to the needy, poor people. It is meant to be a spiritual exercise, by relinquishing something of value to oneself; the individual is expected to grow spiritually and to simultaneously help society and gain merit with God. Alms giving (Zakat) calls for an annual payment of an alms tax for the poor.

Profit: is not a predetermined rate of return, and has a probability of loss as well. This means that capital in the form of "borrowed funds" may not be used, but risk capital is permissible, which entails the possibilities of either profit or loss of a non-predetermined value.

Investment Financing: includes participation, Mudaraba, Murabaha, Ijara (leasing) hire purchase.

Participation: (Musharaka), in which a bank and an entrepreneur jointly contribute to the capital of a company or of a particular project. The bank receives an agreed percentage of the expected profit, should the final result be a loss, the bank has to share the loss in proportion to its contribution to the

total capital of the financial venture. Both the bank and the entrepreneur have a right to manage the venture, though the bank may decide not to exercise this right.

Mudaraba: is derived from the Arabic word (Darb) which means endeavoring and journeying on earth. It has been so named because the Mudarib (investor of the capital) deserves the profit on account of his effort and work. It has been allowed in Sharia because of necessity, as there are so many kinds of people. There are some rich in wealth but without talents to use it, and others are capable of using it but are empty handed. Mudaraba reconciles the interests of both, the incapable and the resourceful, the poor and the rich. People practised Mudaraba in the days of the prophet (P.B.U.H) ,and he confirmed its legality. Thus Mudaraba can be defined as an arrangement in which an investor or group of investors entrusts capital or merchandise to an agent manager, who is to trade with it, and then return to the investor the principle and the previously agreed upon share of the profit. Any loss resulting from the exigencies of travel or from an unsuccessful business venture is born exclusively by the investors. The agent is in no way liable for a loss of this venture, losing only his expended time and effort. The agent is liable to the loss that was proved to have resulted from negligence.

Murabaha: involves "financing by mark up". The bank purchases the goods from a customer, and sells them to another customer at an appropriate mark up, or at a higher price, but on a deferred payment basis. The key elements for mark up financing are that the transaction must be real, and their must

be documentation for them. Credit does not give rise to the profit. No interest on mark up or mark up on mark up, and no late payment interest.

Unconditional Mudaraba: is one which does not specify the time, place, technique of business or the parties for sale and purchase. If any of these is mentioned it becomes a conditional Mudaraba. Uzair (1977 p.206) believes that Mudaraba can well serve to unite capital and enterprise and establish a harmony between consumption and production.

Investment Company or Investment trust: is a device for pooling and investing the funds of a number of investors in a wide variety of securities to obtain diversification and portfolio management at a reasonable fee.

Deposit Accounts: The funds which are paid by their owners to the bank for entering in accounts on the basis of setting off between payments and withdrawals. Such deposits include the following types:-

a- Trust deposits: Cash deposits received by the bank where the bank is authorized to use it at its own risk, and which are not subject to any conditions for withdrawals or depositing.

b- Joint Investment accounts :include cash deposits received by the bank from persons desiring to participate with the bank in multilateral and continuous investment and financing operations, whereby, such deposits will receive a certain percentage of the annual net profits realized in accordance with the conditions of the account under which they are entered.

c- Specific investment accounts: Cash deposits received by the bank as agent for investment of these deposits in a specific

project or in a specific manner, on the basis that the bank will receive a part of the net profit realized, but without liability for any loss which are not attributable to any violation or default by the bank.

Muqaradah Bonds: Documents having a uniform value issued by the bank in the names of the persons who subscribe therefore, by their face value on the basis of participation by the holders of these bonds in the annual profits realized in accordance with the terms of each separate issue of such bonds. This is a source of financing to the bank, but till now, it is not used by Islamic banks.

1.7 Summary

This chapter is an introduction to the research. It presents the statement of the problem, objectives of the research and questions to be answered, the significance and need for the research, limitation of the study, and definition of terms. The thesis is classified into the following chapters; the first is introductory by its nature, the second chapter gives the reader an idea about the banking system in Jordan, while chapter three discusses Islamic banking in general, chapter four explains Islamic banking in Jordan. Chapter five is a review of literature about bank marketing, chapter six gives a detailed discussion about the methodology of the research, while chapter seven discusses the findings of the field work study regarding the understanding of the marketing concept by the bank managers. Chapter eight presents the findings of the research regarding

the application of the marketing concept by Islamic Banks' managers .Chapter nine is devoted to discussing the banking habits of Islamic banks' customers. The services used by the customers whether offered by the Islamic Banks or by The Conventional Banks is the subject of chapter ten . Chapter eleven is devoted to discuss the findings regarding the Islamic banks customers' relationships with their Islamic banks, and the factors considered important by Islamic Bank customers in choosing to bank with the these banks. Chapter twelve is devoted to the conclusions , recommendations , and implications for future research .

Chapter Two

The Banking System In Jordan

2. Introduction

This chapter gives a brief idea about the historical development of the banking system in Jordan. It consists of the following sections:

- 1- The importance of the banking sector in the economy of Jordan.
- 2- Historical background of the banking system in Jordan.
- 3- Components of the banking system in Jordan.
 - a- Central Bank of Jordan.
 - b- Commercial banks & Islamic banks.
 - c- Development banks.
 - d- Other financial institutions.

The following is a brief discussion of these sections.

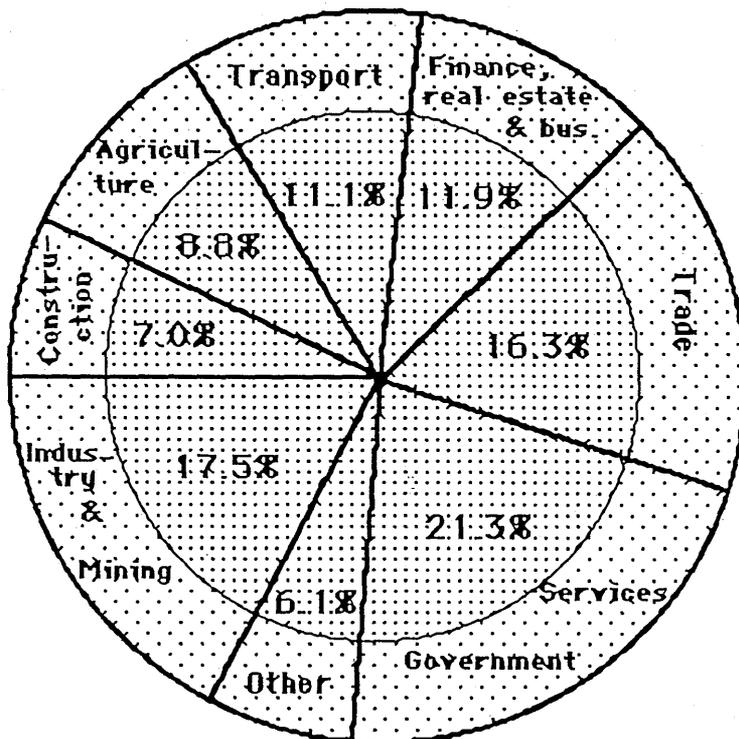
2.1 The Importance of the Banking Sector in Jordan

During the last three decades Jordan has developed rapidly in various economic and social fields. The contribution of the service sector to the gross domestic product (GDP) of Jordan was remarkable, since its contribution exceeded 60% of the GDP of Jordan during the periods 1981-1987, of which about 12 % is the contribution of the financing and business services. Figure (2.1) shows the percentage contribution of the different sectors

of the economy of Jordan to the GDP in 1987 which shows that the financing sector contributes to about 12% of the GDP.

Figure (2.1):

GROSS DOMESTIC PRODUCT (1987) (FACTOR COST)



Source: "Central Bank of Jordan", Annual Report, (1987), Amman, Page: 7.

The development of the financial sector in Jordan during the last three decades has been perhaps the fastest of all economic sectors most conspicuous and most interesting aspect of the general economic development of Jordan.

Within a relatively very short period of time, the financial structure of Jordan has developed to a sophisticated stage. This development could be traced through the discussion of the historical development of the financial sector of Jordan in general and banking sector in particular.

2.2 Historical Background

The history of banking in Jordan goes back to 1925, when the first bank (Ottoman Bank) started operations in Jordan. This bank was an English bank, and changed its name to Grindlays bank in the early 1970s. The second bank which was established was a national bank in the form of a corporation called {The Arab Bank} was first established in Jerusalem in 1930 and moved its headquarters to Amman after the 1948 war. The Ottoman bank, the British Bank of the Middle East, and the Arab Bank were the only three banks operating in Jordan till the beginning of 1950s, compared with 17 banks at the end of 1987 with about 193 branch of which ten local banks with 162 branches and seven banks (Arab and foreign) with 31 branches in addition to five specialized credit institutions with 102 branches all are local institutions, and eleven non-banking financial institutions, 72 money changers (On February 1989, The Central Bank of Jordan announced the closure of all money changers offices as a result of the instability of the Jordanian dinar exchange rate), and 11 foreign bank representative offices. At the top of the banking sector comes the Central Bank of Jordan with its main office in Amman and another two branches

(The Aqaba branch, and Irbid branch). Figure number (2.2) shows the complete structure of the banking sector in Jordan. A brief discussion of the components of the banking sector in Jordan is presented below.

2.3 Components of the Banking Sector in Jordan

The banking sector in Jordan consists of the following :

- 1- The Central Bank of Jordan.
- 2- Commercial Banks.
 - a- national banks.
 - b- foreign banks.
- 3- Specialized Credit Institutions
 - a- public ownership
 - b- joint ownership
- 4- Non-Banking Financial Institutions
 - a- financial Intermediaries.
 - b- Real Estate and savings.
- 5- Money Changers
- 6- Foreign Banks Representative Offices.

A brief discussion of each of these components follows.

2.3.1 Central Bank of Jordan

During the period 1927--1950, The Palestinian Monetary Board had the authority to issue the Palestinian pound which was the legal currency in Palestine and Jordan. After the declaration of Jordan as an independent kingdom in 1946, the

Jordan Monetary Board was created in 1949 and had its office in London.

The Palestinian Pound ceased to be circulated after Sept .30,1950, while Jordanian dinar which was equal to one pound sterling became the unit of currency since 1/7/1950 and the Ottoman Bank was given the authority to issue the Jordanian currency (i.e. a Jordanian dinar).

Another function of Central banking was exercised in Jordan (i.e. the control of foreign currency) through the Department of Foreign Currency Control which was attached to the Ministry of Finance.

The IBRD mission of 1955 prepared a study about the economic development of Jordan published in 1957 recommended the gradual change of the Jordan Monetary Board into a Central Bank. Thus ,several steps were taken to establish the Central Bank of Jordan namely :-

- a- The location of Jordan Monetary Board was shifted from London to Amman in 1957.
- b- The following laws were issued in 1959
 1. Law of the Central Bank of 1959.
 2. Law of Banking Control of 1959.
 3. Law of Foreign Currency Control of 1959.
- c - The Central Bank Law was amended in 1960.
- d- Several steps were taken in 1962 to establish the Central Bank of Jordan. On 1.10.1964 ,the Central Bank of Jordan started functioning.

The objectives of the Central Bank of Jordan were determined by its laws to be as follows :-

1. To maintain monetary stability in Jordan.
2. To guarantee the transferability of the Jordanian dinar (J.D).
3. Promoting the accelerating economic growth in accordance with the general economic policy of the government.

To achieve these objectives, the Central Bank of Jordan laws give the Central Bank the following rights :-

1. The issuing and management of the bank notes and coins in Jordan.
2. maintaining and management of the Kingdom's reserve of gold and other foreign currency.
3. Controlling credit facilities (in terms of quantity and quality) to help economic growth requirements and the monetary stability.
4. Taking the necessary arrangement to solve the local financial and economic problems.
5. Acting as a bank for banks and specialized credit institutions.
6. Control of banks to guarantee their strong financial position and to safeguard the shareholders and depositors rights.
7. Acting as a bank and financial representative to the government and other public institutions.
8. Advising the government, in the drawing up of the fiscal

and economic policy and its implementation.

9. Any other function which central banks usually do, and any activities which could be done according to its law (for a comprehensive discussion of these functions, see Central Bank of Jordan in twenty years 1964-1984. A report in Arabic published by the Central Bank of Jordan. April 1985 :44-113.).

The Central Bank started its activities in 1964 and within a very short period of time its performance was remarkable. The following is a brief summary of the performance of the Central Bank of Jordan.

1. Currency in Circulation increased from about 25 million Jordanian dinar in 1964 to about 669.2 million Jordanian dinar in 1987 or about 27 times in about twenty three years. This increase in currency in circulation reflects the accelerating inflation rate in Jordan.

2. The Central Bank is required by law to maintain assets against notes issue, the value of which at any time shall not be less than the value of the notes and coins in circulation. The unit of currency in Jordan is the Jordanian dinar (J.D.). Until the breakdown of Bretton Woods Monetary Agreement the Jordanian dinar (J.D) was pegged to the U.S. dollar. Since Feb., 1975, the J.D has been pegged to the SDR (special drawing right) unit at (J.D.1 = SDR 2.5789) .The Central Bank of Jordan fixes the exchange value of major world currencies *vis-a-vis* the J.D. through the intermediation of the SDR price of the dollar .Table (2.1) shows the exchange rate of major world currencies *vis-a-vis* the J.D as at the end of years 1983 - 1988.

Currency in circulation is backed by gold , SDR, and foreign exchange in convertible currencies, as well as the treasury bills and Jordan government bonds of ten years maturity.

Table :2.1 Average Exchange Rate Of The Major World Currencies Vis-Vis The Jordanian Dinar(J.D) as at the end of the years 1983-1988 .
Per unit (in Fils)*

Currency	1983	1984	1985	1986	1987	1988
U.s \$	363.0	384.5	394.	350.0	338.	472..1
Sterling £	550.5	512.9	505.6	513.	554.7	827.9
Dutch Mark	142.4	136.4	135.3	161.6	188.5	269.6
Swiss Franc	44.7	42	48	53.2	61.0.	78.8
Italian Lire	22.4	20.5	21.5	26.4	28.0	37.0
(per 100)						
Japanese Yen	160.2	180.9	183.2	214.7	269.5	381.7
(per 100)						

Source :Central Bank Of Jordan, Monthly Statistical Bulletin.Vol.25 , No.1 ,Amman,1989 .pp.92-93.

* Fils = 0.001 of the Jordanian Dinar.

The currency issued is about J.D 669.2 million, while is backed with: -

- a- J.D. 69.1 million gold and SDR.
- b- J.D. 166 million assets in foreign currencies.
- c- Treasury bills and foreign bonds of J.D. 9.4 million.
- d- Other assets in Jordanian dinars (including Development Bonds and Treasury Bills) amounting to J.D. 26.5 million. Thus total backed assets are about J.D. 270.5 million which is less than currency issued. This reflects the decline in the Jordanian dinar exchange rate recently.

3. The Central Bank keeps and manages the Kingdom's gold and foreign exchange reserves. It takes the responsibility of selecting suitable investments.

4. Acting as banker to the government, to the banks and to specialized credit institutions.

The Central Bank is the fiscal agent for the government of Jordan. It keeps the accounts of revenues and expenditures for ministries and government departments, and provides all the banking services which are needed by the public institutions; it is charged with the management of public debt, manages the Kingdom's subscriptions to regional and international institutions; and the payment agreements between Jordan and other countries. The Central Bank keeps the legal cash reserves required from licensed banks as a percentage of their deposits; it accepts time deposits from these banks, and acts as the lender of last resort for these banks in any critical or exceptional circumstances which might threaten the monetary or

banking stability in the kingdom. These services are also rendered to specialized credit institutions. More loans are granted to specialized credit institutions than to commercial banks. This is due mainly to the fact that commercial banks have more resources of funds than specialized credit institutions; banks depend mainly on deposits as a source of financing, while specialized credit institutions depend on capital. They need to go back to Central Bank for loans more often than banks.

5. Supervision and regulation of banking activities. The Central Bank examines the financial position of each bank regularly, issues directives to these banks, fixes the maximum and minimum interest rates on credit facilities as well as on deposits. Examination of the records of the banks and their branches is also covered by the Central Bank inspectors. Moreover, Central Bank provides the banks with cheque clearing service as well as the services of a centralized risk office.

6. The role of the Central Bank in economic development is manifested in several ways:

a- creating monetary and financial institutions capable for mobilizing and channelling savings for development projects. (e.g. The Housing Bank, Pension Fund, Jordan Securities Corporation, Amman Financial Market.)

b- Extending loan and advances to specialized credit institutions to reinforce their ability to finance development projects.

c- Subscribing the capital of banking and financial institutions which are established in the kingdom for the

developmental of financial markets or for the insurance of deposits.

d- Controlling the volume and type of credit granted by banks.

e- The adoption of monetary policies capable of reinforcing internal and external confidence in the strength and stability of the Jordanian economy, and consequently encouraging savings and promoting incentives for the utilization of these savings in productive and safe investment as well as attracting foreign investment.

2.3.2 Commercial banks

Commercial banking in Jordan is branch banking with the head offices in the capital and branches in towns and villages of the kingdom. Banks have to be licensed by the Central Bank before they can operate in Jordan, and must comply with the Central Bank regulations. The licence is granted for the establishment of a bank for a public shareholding company only, branches of foreign banks are exempted from this rule. The capital of any commercial bank shall not be less than J.D.5 million at any time, while the Central Bank has the authority to ask commercial bank to increase this amount.

As can be seen from figure (2.2). Banks in Jordan are of two kinds local and foreign, 10 Jordanian banks, three Arab and four foreign non Arab. Commercial banks in Jordan carry out normal banking activities in accordance with the banking law and banking regulations in force. Commercial banks in Jordan play

an important role in the development of the economy of Jordan through generating savings and channelling these savings into investment. . Deposits amounted to J.D. 2343.2 million at the end of 1988 of which J.D. 2169.4 million were deposits from the private sector while the credit facilities granted by these banks to several sectors of the economy amounted to about J.D. 1634 million or about 70% of the total deposits. Most of the credit was granted to trade and construction sectors .

Commercial banks continued during the eighties to provide more long term loans through participation in syndicated loans. Commercial banks' contribution in these syndicated loans was about 86.9% during 1987, or a total of J.D. 99.3 million; while the investment of commercial banks in corporate bonds issued by public shareholding companies reached J.D. 45.9 million in 1987 against J.D. 51.8 million in 1986.

Islamic banks in Jordan are considered as commercial banks by the Central Bank; but will be discussed separately later on in Chapter Three .

2.3.3 Specialized credit institutions

(Development Banks)

These types of institutions were established in Jordan to provide medium and long term loans to finance developmental projects in different economic sectors especially agriculture, industry and housing, because commercial banks do not extend long term loans due to the fact that their main sources of

financing are deposits (short term liabilities).

The first specialized credit institution to be established was the Agricultural Credit Corporation, which was set up in 1959. The number of these institutions reached six by the end of 1985. Figure (2.2) shows these institutions with the date of establishment and the number of branches.

These institutions depend mainly upon their capital and borrowings as the main sources of financing their operations (with the exception of the housing bank which is the only institution which accepts deposits).

The total sources of funds of these institutions reached J.D. 831.81 million by the end of 1987. About 28.8% of which are the capital and borrowed money. While deposits constitute about 45% most of which are deposits with one institution which is the Housing Bank; about 60% of the sources of funds are invested in loans. The rate of interest charged by these institutions ranged from 6 - 8.75% per annum. These institutions played a significant role in the development of several sectors of the economy through providing part of the financing needed. Loans provided by these institutions to several sectors of the economy increased from J.D. 317.9 million in 1983 to J.D. 502 million in 1987.

2. 3. 4 Non-banking Financial Institutions

There are ten financial companies operating in Jordan. These

are:

1. Arab Finance Corporation	1979
2. Jordan Securities Corporation	1980
3. National General Investment Company	1981
4. Jordan Finance House	1981
5. Islamic Investment House	1981
6. Finance and Credit Corporation	1982
7. Jordan Investment and Finance Corporation	1982.
8. Refco	1962
9. Darko	1982
10. Akarco	1982

These companies have been established to mobilize financial resources and encourage local investments as well as to attract foreign and Arab financial savings to be invested in Jordan. To achieve these objectives, all or some of the following activities are being practiced by these companies.

a- accepting deposits.

b- dealing with certificates of deposits and credit instruments, treasury bills, government bonds, foreign exchange, brokerage management and underwriting of local issues of securities.

c- encouraging investment through establishing projects, financing, and acting as leasing companies.

d- extending loans and credit facilities.

e- managing investment, saving, inheritance funds on behalf of their customers.

f- conducting feasibility studies.

The total assets of these institutions reached J.D. 260.5 million in 1987 as against J.D. 30 million only in 1981, with an increase of about 87 times in about six years only. Deposits with these institutions increased from J.D. 21.4 million in 1981 to J.D. 148.8 million while loans increased from J.D. 16.55 million in 1981 to J.D. 127.5 million in 1987. This large increase during the six years is due mainly to the establishment of about four out of the ten institutions in 1982 which added to the increase in the activities of these institutions in 1983 and thereafter.

2.3.5 Other Financial Institutions

The financial sector in Jordan includes a number of institutions devoted to mobilizing financial resources and collecting savings. Following is an idea about these institutions

1. *The Post Office Savings Fund (POSF)* :

POSF started operation in September 1974 with the aim of attracting and collecting small savings, with eight branches in Amman and reached 290 branches by the end of 1987 with about 213600 customers with total deposits of J.D. 7.70 million by the end of 1987. Its total investment reached J.D. 6.1 million by the end of 1987.. The fund introduced promotional schemes such as prizes on savings deposits and savings program for education.

2. *The Pension Fund (PF)* was established in 1976 to shoulder the present and future financial obligation of the government in the field of pension payments. Its resources consist of its capital and retirement deductions. Its assets reached J.D. 55.2 million by the end of 1987.

3. *The Social Security Corporation (SC)* was established in 1978 to provide the worker and his family with a permanent monthly income to secure them a decent life. The only source of funds of SSC is the monthly salary deductions from all participants. Its assets reached J.D. 233.9 million by 1987. Most of its funds are invested in loans, bonds and shares .

4. *Insurance Companies:* There are 33 insurance companies operating in the Kingdom. 22 of which are Jordanian and the remainders are branches of foreign companies. These companies deal with all kinds of conventional insurance. Assets of these companies reached J.D. 63.9 million by the end of 1987 .Most of which are invested in deposits with banks and investments.

5. *Money changers:* The number of money changers in Jordan reached 72 by the end of 1987 of which 34 are in Amman. The Central Bank of Jordan closed all money changers offices on February 1989 as a result of the instability in the J.D. exchange rate.

6. *Representative offices:* The foreign banks and financial companies which have no branches in Jordan can, after obtaining licenses from the Central Bank of Jordan open offices to represent them before official bodies in Jordan and take care of their interests in the kingdom without seeking profit. The main activities of these offices are collecting financial and commercial information on Jordan and fostering relation between the bank or financial company . The number of these offices in Jordan reached nine by the end of 1987.(figure 2.2).

2.4 Summary

The banking system in Jordan is discussed briefly in this chapter to give an idea about the financial environment within which Islamic banks in Jordan operate. A historical background of the banks and financial institutions is presented. The importance of the banking system to the economy of Jordan, the emergence of the Central Bank, its objectives, activities, role in development, commercial banks, development banks and other financial institutions are discussed to complete the picture about the banking system. The aim of this research is to concentrate upon the marketing side of Islamic banks in Jordan. Thus the following chapter introduces the reader to the Islamic banking in general, while Islamic banks operating in Jordan is discussed in Chapter Four.

Chapter Three

Islamic Banking

3 Introduction

In this chapter the researcher tries to give an idea about Islamic banking in general, its concept, evolution, philosophy, and transaction in comparison with conventional banks. Islamic banking in Jordan is discussed in chapter four .

3.1 Islamic Banking

Many economists agree that the current state of the global economic system is alarming and that the future promises no easy solutions (Abdelmagid 1981). This presents serious challenges and new opportunities for researchers to explore untapped sources of human thought. New theories or modifications of existing theories should start at the cultural level. Abdelmagid (1981) believes that cultural conditions play a significant role in shaping economic behavior in any society. Kluckhohn (1962) states that:

" Culture...regulates our lives at every turn, from the moment we are born until we die...there is constant conscious and unconscious pressure upon us to follow certain types of behavior that other men have created for us."

Islamic culture has also an influence on the lives of Muslims,

and their behaviour. Since the last three decades, the world witnessed a new commitment to Islam and revival of Islamic thought which has resulted in major developments in many Islamic countries. A growing trend towards transcending national boundaries and unifying Muslims into a political economic entity that could have a significant impact on the patterns of the world trade, the Islamic conference is the formal institution whose major objective is the achievement of the unification on a gradual basis. An Islamic common market is another possibility in the near future, and a tendency to establish an Islamic economic system in every Islamic area.

The Islamic world has seen in the last two decades the emergence of a new academic discipline "Islamic economics". According to Neinhaus (1986) Islamic economics is the knowledge and application of injunctions and rules of Sharia. This is a general Islamic Law which prevents injustice in the acquisition and disposal of material resources in order to provide satisfaction for human beings and enable them to perform their obligations to Allah and society. Nienhaus (1986) states it clearly that one should not read the literature on Islamic economics as a description of the realities in Muslim countries. Islamic economics offers so far no theories about the empirical world but only models of ideals, sometimes even the utopian world, which do not help us understand realities in Muslim countries.

Muslim economists are frequently engaged in discussion and formulation of standards for the correct economic behaviour in

harmony with the elaborate ethical system of Islam. Muslims are not free to do as they wish. They have to abide by the ethical system of Islam in their way of life. AL-Assal and Abdel Karim (1977) define Islam as:

"A religion that provides an integrated way of life with prescribed codes for the social, economic, cultural, civil and political aspects of the society. and the economic problem is viewed within the total framework of Islamic ideology."

The Islamic solution to the economic problem consists of few concepts and fundamental principles explicit in the verses of Quran and the words and acts of the Prophet Muhammed (P.B.U.H) called (Al-Sunna). Codes and sanctions for daily application have been developed by scholars on the basis of deductive inferences and interpretation of the verses of Quran and Sunna.

3.2 Evolution of Islamic Banking

The institution of a bank has become an indispensable link in the economy of a country. A bank renders many economic services to community as well as to clients such as:

1. The supply of finance and capital to promote development in commerce and industry.
2. The stimulation of savings by its accepting different kinds of deposits from different sectors of the economy as well as from individuals.
3. The economy in the the use of money.
- 4 .The relieve of people's anxiety about the safety of their

liquid money.

5. The facilitating of the transactions of foreign trade, and the transfer of money. etc.

The importance and the usefulness of the services of the bank to any economy is expressed clearly by Uzair (1977: 74-76) , He states that:-

"These services are vital and useful to Islamic economy as they had been or can be to any other type of civilization".

This statement by Uzair indicates that banking is vital and useful to Islamic economy. But an Islamic economy requires the complete elimination of the interest from the banking system, consequently, an Islamic economic system is impossible without Islamic banking system. The Islamic Sharia (law) prohibits all usurious transactions. In compliance with this law several governments had promulgated special laws and decrees establishing Islamic banks as shareholding companies which may engage in financial, insurance, and various other forms of investment activities without practicing usury or charging interest. Schultz (1986) believes that Islamic banking must be created in order to serve the needs of the 700 million Muslims. He emphasized this need by saying that the Muslims, until very recently, have been prohibited from the efficiency of a banking system organized to mobilize their savings and allowing for an efficient saving mechanism.

Many devout Muslims did not use banks before the emergence of Islamic banks, this segment of the market perceived

conventional banks as selling something prohibited in Islam which is usury. The image of the bank in the eyes of this segment of the market is that "they sell usury". This segment of the market did not deal with banks, most of their savings were hoarded which is also prohibited in Islam. It is mentioned clearly in the Holy Quran (Surah Tauba verses 34-35) that hoarding is considered misuse of wealth and a penalty to be suffered by those who misuse the wealth. Following is the exact English translation of the verses 34-35 of Surah Tauba of the Holy Quran as translated by Ali (without date: 449- 450).

"... And there are those who bury gold and silver and spend it not in the way of God: announce unto them a most grievous penalty". On the day when heat will be produced out of that (wealth) in the fire of Hell, and with it will be branded their foreheads. Their flanks and their backs. This is the treasure which ye buried for yourselves: taste ye, then, the (treasure) ye buried ! "

But this segment of the market gave themselves the benefit of the doubt; keeping savings with them is better than eating "Riba"(usury) or at least maintaining their deposits in a current account .Still they are suspicious of dealing with a usurious firm. They also did not use to borrow from banks to finance their business or to put new ideas into practice. According to Tarbush (1982), Islamic bankers say that only 4% of potential bank users in Islamic countries deal with banks at present, the remaining 96% represent a vast source of possible business. Therefore, Schultz (1986) is correct when he says that Islamic

banking must be created to serve the needs of the 700 millions Muslims. Islamic banking is needed in the Islamic countries to serve both the non banking segment of the market and those who, with the banking habit, were dealing with other banks because the other alternative did not exist.

Based on this, the mission of the Islamic bank was, still is and should be selling Islamic bank services refined from Riba (usury). This mission is clearly stated by Jabr & Sabri (1986) in discussing the philosophy of Islamic banks.

3.3 History of Islamic Banking

Islamic banking is not a new phenomenon. In Muslim communities some form of banking activities, such as acceptance of deposits, transfer, money change, goes back to the time when Prophet Muhammed (P.B.U.H) was still alive. At that time people trusted Muhammed (P.B.U.H) even before he became a prophet, and he was called by people Al-Amin (the trustee). People deposited money with the Prophet or with Abu Bakr Sedique, the first Khalifa of Islam, and with Alzubair Bin Awwam, one of the main followers of Muhammed (P.B.U.H), Humoud (1976) says that Al Zubair Bin Awwam was as a bank. His head office was in Medina (in Saudi Arabia) with branches in Alexandria in Egypt and Basra and Kufa in Iraq. Abdulla Bin Al Zubair worked in the transfer of money from Mecca to Iraq. Other kinds of banking transactions were practiced in the early stages of Islam. Money change was practiced by Abdulla Bin Umar and accepted by the Prophet Muhammed (P.B.U.H). Special

forms of cheques were introduced by Muslims 1000 years ago, in Halab (Syria) and Baghdad. Humoud (1982) points out that several forms of investments were practiced in the early stages of Islam such as Mudaraba, Musharaka

The first project to put Islamic banking theory into practice began in the Egyptian delta town Mit-Ghamr in 1962. Within three years, 11 banks had been created with more than a million customers. Tarbush (1982) says that the experiment was disbanded in 1967 for political reasons. The first modern operational Islamic bank, established in Egypt in 1971, was called Nasser's Social Bank (Haqiqi & Pomeranz, 1985).

Emergence of Islamic banking can be considered from the early 1970s. The Dubai Islamic bank, and the Islamic Development Bank of Jeddah were established in 1975. The development and growth of Islamic financial institutions since the 1970s have been remarkable, according to Hittle (1986), since the 1970s more than 100 Islamic banks and financial institutions have been established around the world with a current estimated deposits of ten to fifteen billion dollars. Islamic banks operating in the world nowadays can be categorized into four main categories:

1. Banks operating in a total Islamic order like Iran, Pakistan, and Sudan where Islamization of the economy took place.
2. A unique model of Islamic banking which is the Islamic development Bank in Jeddah established by many Muslim countries rather than by individuals to serve the needs of these

countries. More than 40 Islamic countries are participating in its capital.

3. The majority of Islamic banks operating in the Middle East and elsewhere.

4. Islamic banks operating in non-Muslim countries. An example of this kind is the Islamic Bank International of Denmark which was set up in April 1983. This bank operates by the laws of the host country. Schultz (1986) states that the laws of Denmark are easy to work with in order to develop the correct Sharia instruments, which are at the same time in full compliance with the Bank Act in Denmark, which is regarded as one of the most strict in Western countries. He continues, that it was very easy to establish the Islamic bank in Denmark, because there is nothing in banking practice of the Banking Act in Denmark which forces banks to use interest. He comments on this bank saying that the Danish banking community received Islamic banking with great enthusiasm and curiosity. Islamic banks would like to use Danish bank's vast network branches in order to pick up business which would be suitable for Sharia contracts. This is what many international banks are doing in setting up a division for Islamic transaction.

Expansion of Islamic banks is continuing at a rapid rate. Islamic banking spread from the Arabian Gulf eastward to Malaysia, and westward to England (Haqiqi & Pomeranz, 1985).

In Pakistan, Iran and the Sudan, Islamic banking concepts have been reflected in governmental action. In Pakistan, the government has ordered the Islamization of banking practices.

Iran has recently implemented an Islamic banking system. The Sudan is applying Sharia to many of its economic activities.

Internationally, two banking conglomerates, Dar al-Mal al-Islami and Al-Baraka Bank have established Islamic branch banks in different countries of Asia, Europe and Africa. The capital of Dar Al-Mal Al-Islami is 1 billion dollars. It owns 22 companies in 12 countries. These companies consist of 8 Islamic investment companies, 7 Islamic banks under the name of Faisal Islamic Bank, 4 Islamic insurance companies, and 3 Islamic business firms. Its a holding company with its 22 subsidiaries till 1984 working according to Islamic principles. Its subsidiaries are located in different countries of the world, Muslim and non-Muslim countries. Faisal Islamic banks are now established in Sudan, Egypt, Great Britain, the Bahamas, Luxemburg, Guinea, Senegal, Gabon, Niger, Upper Volta and Benin, and several others are currently in the planning stages.(Jawdi ,1983).

Some Islamic bank institutions have joined in international associations such as the Islamic Bank International (IBI), the International Association of Islamic Banks (IAIB) and the International Federation of Islamic Banks (IFIB); IFIB has gained a measure of recognition by the United Nations Conference on Trade and Development (UNCTAD).

Islamic banking took one step forward in September 1982, with the opening in Cyprus of the International Institute of Islamic Banking and Economics. It offers one year course for

graduates and eventually four year courses for school-leavers. Table 3.1 shows some of the main Islamic banks established in the world since the 1970 until 1984. While Table 3.2 shows some figures about the business activities of some banks such as, deposits, investments, liquid assets, and net profit, during the periods 1979 - 1982.

3.4 Objectives and Philosophy Of Islamic Banking

It is evident from the previous discussion that the recent development in the Middle Eastern banking scene has been the emergence of a new type of banks which operates on a non-interest basis according to the Islamic principles. These banks are called Islamic banks, or free interest banks. These newly established banks in some parts of world are spreading at a rapid rate, conduct non-usurious banking business such as: banking services, financing, investment. They apply methods deduced from the principles of Muslim Sharia (Law). Sabri and Jabr (1985) define these banks as:

" Banks which do not pay or receive interest, since they accept deposits as business banks do, render most of the standard banking practices... they assume the risk of participating in projects and other activities with their clients."

In many books on Islamic economics and banking published during the 1960 and early 1970s. Neinhaus (1983) defines Islamic banks as

" Financial institutions which base their whole loan business on the principles of profit and loss sharing

Table (3.1): Some Of The Main Islamic Banks In The World.

Date of Establishment	Name of the Bank	Country
1971	Nasser Social bank	Egypt
1975	Islamic Development bank Jeddah,	Saudi Arabia
1975	Dubai Islamic Bank	Dubai
1978	Jordan Islamic Bank	Jordan
1978	Faisal Islamic Bank of Sudan	Sudan
1978	Faisal Islamic Bank of Egypt	Egypt
1978	Gulf Islamic Investment Company	United Arab Emirates
1979	Bahrain Islamic Bank	Bahrain
1979	Kuwait Finance House	Kuwait
1979	Sipah Islamic Bank of Iran	Iran
1980	A group of Islamic Banks in Pakistan	Pakistan
1980	Islamic Bank International	Cairo
1980	Abu Dhabi Islamic Bank	Abu Dhabi
1980	Bahrain Islamic Investment Company	Bahrain
1981	Tadamun Islamic Bank	Sudan
1981	about 40 branches of Egyptian Banks to deal with Islamic banking	Egypt
1981	International Islamic Bank	Luxembourg
1982	Dar Al mal Al Islami several countries of the world	
1982	Jordan Finance House	Jordan
1982	Faisal Islamic Bank	Bahrain
1983	Qatar Islamic Bank	Qatar
1983	Al Baraka Islamic Bank	Bahrain
1983	Islamic Bank of West Sudan	Sudan
1983	Islamic Bank of Sudan	Sudan
1983	Bangladesh Islamic Bank	Bangladesh
1983	Islamic Bahrain Investment Co.	Bahrain
1983	Cyprus Islamic Bank	Cyprus
1983	Islamic finance House	London
	and many others since 1983	

Source: Compiled by the author based on:

1- Karsten, Ingo, Islam and Financial intermediation, IMF Staff Papers, IMF vol. 29, 1982, pp. 108-142.

and 2- Journal of Islamic Economy, No. 34, June 1984, pp. 16-17, (In Arabic).

Table: (3.2): Business activities of some Islamic banks during the period 1979-1982

Items	1979	1980	1981	1982	Thousands
<u>Deposits</u>					
Dubai Islamic Bank	158402	199051	335728	414555	Dirham
Kuwait Finance House	66198	148623	294119	473111	Dinar
Faisa Islamic Bank (Egypt)	23625	140137	469206	792592	Dollar
Faisal Islamic Bank (Sudan)	21773	49511	102317	202372	Dollar
<u>Investment</u>					
Dubai Islamic bank	146621	175937	282546	367273	Dirham
Kuwait Finance House	35681	59836	139701	295288	Dinar
Faisal Islamic Bank Egypt	24084	154908	354409	833393	Dollar
Faisal Islamic Bank Sudan	13044	32262	57330	103857	Dollar
<u>Liquid Assets</u>					
Dubai Islamic Bank	63995	80240	109259	119664	
Kuwait Finance House	13236	36970	65796	144607	
Faisal Islamic Bank Egypt	11293	60299	255733	189981	
Faisal Islamic Bank Sudan	17706	36144	79096	169796	
<u>Profits for distribution</u>					
Dubai Islamic Bank	133	3914	4609	5721	
Kuwait Finance House	942	2302	5788	12480	
Faisal Islamic Bank Egypt	1014	3040	3211	5055	
Faisal Islamic Bank Sudan	760	1617	5711	12603	

Source: Journal of Islamic Economy, No. 34, June 1984, pp. 18, (In Arabic).

(PLS) with the enterpreneaurial partners "

Abdelmagid (1981) defines the Islamic bank as:

"a shareholding company owned by its shareholders to conduct banking and investment activities in accordance with Islamic Sharia and its articles of associations"

Carlson (1986) points out that:

" Islamic banking is more fundamental than the simple idea that interest cannot be paid or accepted. Rather it is the idea that wealth is to be shared by putting money to productive use and assuming risk ".

Ibrahim Kamel, the chief executive of Dar Al-Mal Al-Islami stated that Islamic bank's role is to mobilize funds from a community and put them at the disposal of the community, poor and rich, so that the whole community moves forward to become productive (see Tarbush ,1982).

One can conclude that the objective of Islamic banking should not be the maximization of profit irrespective of the means, but rather social benefit maximization. They have to integrate moral values with economic actions. Islamic banks aim at developing the savings and investment habits in the community, and the prevention of hoarding through making suitable investment opportunities available. Moreover, they aim at offering banking services, financing and organized investment opportunities refined from "Riba" (interest), which has been strictly prohibited by Allah, to meet the needs of social and economic development of the community.

The main characteristics of Islamic banks operating nowadays is that they do not operate in a purely Islamic economic environment (a financial system where interest has been abolished completely), although they have to abide by Islamic principles.

The activities of Islamic banks include Western style banking services, economic development, and investment. Islamic banks operate according to two fundamental principles:

1. The complete elimination of fixed interest in any form from its operations.
2. The use of several forms of profit and loss sharing schemes as the back bone of its practices.

Islamic banks are not pure profit and loss sharing banks but make use of other methods of financing such as leasing of capital goods, rendering services on a commission basis like, letters of credit, letters of guarantee, transfer of money, etc. They have to face competition with a superior number of conventional interest banks in the profitable placement of funds. Islamic banks are profit centres. They are not charity institutions either, although they assume handling social duties (Zuair ,1982 ,Quasim ,1986).

The objectives of Islamic banking are derived from the principle of a socially-oriented function of wealth. Property and hence money are considered in Islam as social tools to achieve social goals. Therefore, and according to Professor Alhawari (1981):

" Islamic banks are not free to do as they please. Rather they have to integrate moral values with economic actions.... An Islamic bank should structure itself to serve the community along the lines prescribed by moral values, positive and negative teachings of Islam... but rather a religious oriented institution,for the good of mankind...".

The Islamic bank does not consider the profitability of the project as the only criterion for investment. It considers also the social output of that project, and how this project agrees with Islamic principles i.e. an Islamic bank does not accept investing in any project for the manufacturing of wine for example, whatever its profitability to the bank is, because it is prohibited in Islam.(Alyousuf ,1984).

Islamic banks contribute in the unity of the community. Since they depend upon Mudaraba principles and participation in their investments of deposits instead of the fixed interest, this makes the investor and the depositor cooperate with each other for the success of projects (Alyousuf ,1984). Thus helps in the social security of the country through the Zakat fund and the Qard Hasan (interest free loan for needy people). The wealth generated from profit of Islamic banks is to be shared by putting money (from different sources, i.e. shareholders. depositors) into productive use and assuming risk is the philosophy behind Islamic bank. Elzubair (1984) summarizes the philosophy of Islamic banks considering the features of Islamic banking by the following statement:

' Islamic bank is selling a particular image /philosophy. It is the image of a socially responsible, facilitating, supportive, efficient institution.... There is a need to promote the financial soundness and expertise of the bank through efficient, friendliness, clarity, and distinctiveness".

3.5 Reasons for not using interest

The central pillar of Islamic banking is that financing can only be on an interest-free basis. This is derived from the Islamic Sharia which prohibits Muslims from dealing with interest or usury which has been strictly prohibited by Allah in the Holy Quran, and in Muhammed's (P.B.U.H) teachings (Sunna). Usury (interest) was known before Islam. Usury is also prohibited in Jewish and Christian religions. All churches agreed on prohibiting "Riba" (usury) from the beginning of Christianity till the Reform Movement. Luther was very strict in this prohibition. He wrote a thesis prohibiting many kind of usury transactions (Alabbadi ,1984).

This means that Islam is no exception to other religions in prohibiting "Riba" (usury). Quran consists of 114 Surahs. In four of them Quran mentions the prohibition of "Riba" explicitly (i.e. in Surah Alroum verse 39, Alnisa verse 160-161, Alimran verse 130, and Surah Al Baqara verses 275--279). "Riba" is considered by the Holy Quran to be the most heinous sin among the major sins. The Holy Quran ordains the prohibition of interest (Riba) at least five times in one Surah, namely, Al Baqara verses 275-

279. This prohibition of interest has been put as:

1. madness (Takhabbout).
2. thing God wants to destroy, deprive of blessing (Mahq).
3. thing which if not abandoned deserves a war (Harb) from God.
4. thing which is the anti-thesis of faith (Iman) or in other words, infidelity (Kufr).
5. thing if persisted calls for permanent abode in Hell (Khulud Fin nar).

These citations from the Quran have been mentioned here only as examples. Following is the exact English translation of the verse 275, 276--278, 279 Surah Al Baqara as translated by Ali (without date: 111-112):

verse (275) says

" Those who devour usury will not stand except as stands one whom the Evil One by his touch hath driven to madness. That is because they say: "Trade is like usury". But God hath permitted trade and forbidden usury. Those who after receiving direction from their Lord, desist, shall be pardoned for the past; their case is for God (to judge). But those who repeat (the offense) are companions of the Fire; they will abide there in (for ever) "

verse (276) says

" God will deprive usury of all blessing: but will give increase for deeds of charity: for He loveth not creatures ungrateful and wicked. "

verses 278, 279:

" Ye who believe: Fear God, and give up what remains of your demand for usury, if ye are indeed believers; if ye do it not. Take notice of war from God and His Apostle: But if ye turn back, ye shall have your capital sums: deal not unjustly, and ye shall not be dealt with unjustly ".

One can conclude from preceding verses of the Holy Quran that "Riba" (interest) is forbidden, and there is no reason to give or take interest from an Islamic point of view. Several scholars, have tried to study the theory of interest from an economic point of view. Many theorists believe that many of the recurrence of trade cycles and fluctuations in economic activities is explained by the phenomenon of interest and the operation of banking in the present form. Uzair (1977:34-35) states that :

"`the theory of interest is the weakest and haziest part in the economic theory, and no proper explanation and no satisfactory interpretation is available to explain the rationale of the present day interest on capital funds."

Uzair (1977:81-93) criticizes interest stating that:

" it is an amount charged for the loan not on the basis of its actual productivity or profitability but on a more or less set rate of interest.... and that unless we change the present technique of investment through banks, we can never expect a smoothly running economy".

Moreover, he believes that the rate of interest, no matter how high, is bound to be lower than the rate of profits. However, several economic problems created by interest are cited by

Uzair such as :

1. The ease and expansion of credit because of interest, not "profit" being the symbol of investment, creates dislocations in the otherwise sound and smooth pattern of investment, as it affects the whole economic system.

2. The unnecessary intermediary of interest "or discount" manipulates the prices of everything. There seems to be hardly any economic justification for the function of this intermediary of pseudo-investment on the basis of interest. There is no harm in middlemen operating and playing their role of linking up different sections within an economy. These middlemen however should never be allowed to introduce a new factor or institution instead of sharing from the existing mechanism of earnings and prices. As long as the middlemen share the profit and the commission, the system runs smoothly, but the moment, these middlemen are strong enough to determine a new and parallel set of values and prices and to introduce interest based on "time" and "chance", the whole system is under the mercy of this manipulation.

Various theories which simultaneously try to explain the rate of interest and the justification for the existence of interest have presented a very complex and obtrusive explanation. Moreover, there is not much common ground among the various theories from Bohm to Bawerk to Keynes. In the Keynesian framework, a hypothetical situation of plenty of capital exists where the rate of interest may be zero. Thus on the whole, the economists, have really found it difficult to give a neat,

plausible, and commonly agreed upon theory of interest. Uzair (1977, pp :8-9) argues that It is evident from these theories that attempts have been made to some how uphold and justify the prevailing institution of interest as a matter of historical accident.

Several theorists cite other problems which might be created by interest such as :-

1- increase of interest rates could affect investment projects. Samuelson (1976) states this idea explicitly, in his words:

"A lowering of the interest rate at which we calculate present discounted values will raise more and more investment projects about their initial cost, and they will be undertaken to society's advantages."

2- The use of debt in financing entails risk to the borrower which is not available through financing or partnership. Abdulla (1969) argues that several restrictions are to be imposed by the creditor on the debtor.

3- The increase of interest rates creates several problems to the developing countries. Central Bank of Jordan Annual report of 1981 mentions some of these problems such as : the inability of these countries to finance the deficit in its current account, the difficulty of obtaining financing for its developmental projects, due to its high degree of leverage (debt).

4- Lashin (1982) argues that the use of money as a commodity ,and trading with it will increase hoarding, and maldistribution of wealth which has severe economic problems

Moreover, he believes that introducing interest will increase prices, thus making it difficult to market products and services which might lead to dismissal of some of the employed persons, and inability to pay the debt. The result will be bankruptcy.

5-Interest will create many social and economic problems. It is difficult through the interest mechanism to enter into social projects which are needed by the society and will not yield return equal to interest rate.

6-Interest rate raises several disagreements among theorists in the capital system especially in the periods of rising interest rate, and there are some attempts to put a ceiling for it (Nathan ,1969, Walken & Navartial ,1981).

On the other hand those who justify the use of interest give the following reasons for that:

1- risk: interest is charged, because of the possibilities of collapse of the profit they finance. In this respect, Uzair (1977: 87-111) believes that labour, management, and land lords are much worse sufferers. The real risk lies in the responsibility involved in the role of the enterprise and capital if they both join the sponsoring of production and share profit as proposed.

2- Abstinence: savers abstain from consuming when they save some portion of their income. Keynes has rightly criticized this abstention theory by saying that the rate of interest is not the price which brings into equilibrium the demand for resources to invest with the readiness to obtain from present consumption.

In addition to abstinence, Keynes points out another justification for interest, which is, liquidity preference. According to Uzair (1977), Keynes in his general theory of employment, interest and money (p.167) says that :

" Thus the rate of interest at any time being the reward for parting with liquidity is the measure of the unwillingness of those who possess money to part their liquid control over it".

Uzair (1977) criticizes both abstinence theory and liquidity theory saying that

" what they save is above the limit they would choose to keep liquid... it is practically neither desirable nor possible to have all the money in liquid form in view of the risks and botheration involved in keeping the money in cash at ready hand. Liquidity in itself is not an end, just as in case of labor, land, or enterprise. What is desired by the agents of those factors is not the mere satisfaction of possessing these factors".

Uzair (1977:108-111) concludes that the above arguments advanced in favour of interest fail to give any convincing justification for it.

Based on the above discussion, and due to the reasons for not using interest, Islamic banking emerged and started to work on the basis of profit and loss sharing scheme (PLS) instead of interest. Proponents of Islamic banking believe that PLS principles will prevent fluctuations and speculative activities on the part of financial gambles, since they believe that interest causes the whole fluctuations in the system (Uzair

,1977 p.88).

Some researchers believe that there is no difference in the risk involved in PLS basis or interest basis. The profit and loss sharing concept is not really a new concept. Ingram (1986) states that :-

"Whether you act upon a share of profit or whether you act on an interest basis, risks actually are not that different.... Banks do fail, operate badly, and may or may not be rescued by the authorities. If they fail, the depositor shares the losses of the bank. So profit and loss sharing deposits are in reality, not totally new".

Ingram is right in his thesis that "PLS" concept is not a new concept, "PLS" deposits are not totally new. The concept of "PLS" history goes back to the days of the Prophet Muhammed (P.B.U.H) and his followers. Several types of PLS were being practiced in the early days of Islam such as: Mudaraba, Musharaka, and so on). What is new in this concept is putting it in the form of an institution (i.e. bank). Islamic banking as an institution operating on a "PLS" basis is a new type of institution.

The research to "PLS" concept in the form of institution i.e. bank started recently. In 1955, Professor Uzair, was the first professional economist in the world to have written on the subject of interest-free banking. In the 1960s, the idea started to be practiced. Two Islamic banks started operations in 1975 and within less than 12 years, Islamic banks and financial

institutions reached more than 100 in number, or more than 50 times of the figure of 1975.

This spread of Islamic banks within a very short period of time in many countries of the world created some misconception of the idea of Islamic banking both in the Islamic and the non-Islamic world.

3.6 Misconception of Islamic Banking

Islamic banking is a new subject and is not widely understood in non-Muslim countries, and even in the Muslim world. So it is not surprising to have several critics from several parties and misunderstanding of the concept "interest-free" banking. As a result Islamic banks faced several problems and attacks on Islamic banking in particular and, Islamic economy in general. These attacks came mainly from within the Islamic world. Prince Muhammed Al Faisal, one of the main pioneers in establishing Islamic banks (e.g. Al Faisal Islamic Banks in Sudan, Egypt, Bahrain, etc. and Dar Al Mal Al Islami) expressed his regrets that the major attacks on the Islamic economy come from within the Islamic world.(Jawdi ,1983). When people use the statement that interest is forbidden as a starting point for what Islamic banking is all about, it causes confusion. Carlson (1986) gives several examples about the misconception of the word "Islamic banking" .This confusion is due to the interest-free concept. In his words:

" Some people think that this is just interest-free banking, interest-free money ,cost-free money ."

Carlson, cites a story about a person who contacted him as a lawyer to inquire if Carlson could put him in touch with an Islamic institution which would replace that councils' 50 million pound worth of bank borrowings with 50 million pound of interest-free borrowings.

Another cause of confusion about the idea that Islamic banking just means no interest is that people will take a traditional Western loan agreement and every time the word "interest" appears they tell the word processor to simply put "service charge" instead. They believe this replacement makes the agreement comply with Islamic principles, because there is no reference to interest.

Carlson comments on these confusions by saying Islamic money may be interest free. That does not mean it is just free money or grants. On the second confusion changing the word "interest" into service charge he comments that this is simply ridiculous. So starting from the idea of the productive use and sharing of wealth, and the different types of transaction will make sense.

Another cause of confusion, which is widely raised is the use of "Murabaha" as a method of investment. Some believe that this method contains the use of "Riba". This is due to the misunderstanding of the concept of Murabaha. The Journal of Islamic Economy of March 1984, p:6-12) gives reasons for the justification of using the Murabaha method. And this confusion

was settled from an Islamic point of view. The statement made by the Seminar on Islamic Economy organized in Medina in Saudi Arabia 1983, declared that the "Murabaha" method when applied within a certain set of procedures is in accordance with Islamic principles. The second conference of Islamic banks held in Kuwait in March, 1983, decided that Islamic banks can use this method.

These confusions and others make it a must that Islamic banks should be suspicious of using any method of investment or any transaction before getting the approval of the Sharia advisor of the bank, which is being done nowadays by Islamic banks. Informing and educating others about Islamic banking concepts requires that Islamic banks should apply new marketing techniques and concepts.

3.7 Problems facing Islamic Banks

Smith (1984) argues that banks face tough competition. She suggests that banks should devise new services to be able to compete with. In the words of Smith:

"During the last ten years, banks have made profit almost in spite of themselves. Those days have gone. Tough competition is fast eroding the profits of the old bread and butter activities. Banks and their staff must change their approach and redirect their thinking...

Traditional skills are no longer the key to successful banking. The success of the bank will depend on its ability to devise new services, sell them aggressively, and price them correctly."

In this environment where banks are facing tough competition, Islamic banks were born. They started with new services, and new methods of pricing, but they were forced to staff the banks from employees trained in traditional banking.

Schultz (1986, p.44) states that:-

"The problem we were facing from the very beginning was that we were trained in traditional banking, and we had to start a bank on a Sharia principles from the very first day"

So, the staff needs time to cope with, and understand the Sharia principles.

Another major problem facing Islamic banks is that they do not operate in a purely "Islamic" economic system where interest has been abolished completely. They have to cope with the environment within which they operate. This might restrict their ability to work because they have to operate according to a predetermined set of rules. They have to abide by these rules (i.e. Islamic principles), while others in the same environment whom they compete with (i.e. conventional banks) are free to do what they wish within the rules of the environment.

Islamic banks have to face competition with a superior number of conventional interest banks in the profitable placement of funds, Entrepreneurs are not Islamically minded to view the Islamic bank offers as the only acceptable method of financing their projects. Thus, they evaluate Islamic banks offers as an alternative to the offers of the interest banks.

Neinhaus (1983) believes that there must be an economic advantage to cause the entrepreneurs to accept the "PLS" financing. Thus the entrepreneur will decide in favour of the PLS financing if the value of that part of the profit remaining to the projects is larger than or at least equal to the total expected profit of the other alternative (i.e. financing through interest banks). This requires more efforts from Islamic banks in the marketing field to make projects financed by them more profitable. Islamic banks have to adapt their business and marketing strategies to market conditions which are formed by the dominating conventional banks. Islamic banks cannot neglect the market rate of interest but must base their calculations on it (Neinhaus,1986).

The fact that Islamic banks are not operating in a purely Islamic system does not mean that they can not operate and co-exist with conventional banks. Quasim (1986) believes that Islamic banks are new opportunities for cooperation between Western and Islamic financial institutions. Prince Muhammed Al Faisal stresses this point, that both banks can exist parallel to each other without having any problem. In the words of AL Faisal (1986):

"Today our institutions deal with some 180 interest banks. We deal on the basis of Sharia (Islamic Law), but we deal with them as long as they accept our system when they are dealing with us. I am not claiming Islamic banks are better. I think the market should determine that. What I am saying is that I and many other Moslems, are not willing to invest our money or to work on a basis

of something the Sharia has forbidden".

Al Faisal statement shows that even though Islamic banks can co-exist with other conventional banks and deal with each other, help each other but within limits (Sharia principles), they are, after all, competing for one segment of the market. And since Islamic banks apply new techniques which might attract specific kinds of customers, this might lead Western banks to apply some methods of Sharia principles to satisfy and attract Muslim customers who like to deal according to Islamic principles. Quasim (1986 p.19) expresses this idea explicitly. In his words:

"We should emphasize that we can co-exist and we can help each other. After all, we are all competing for one segment of the market, and Islamic banking techniques may prove worthwhile for the Western banks to apply in order to satisfy their Muslim depositors, as well as, attracting the Islamic banking business".

As a result, the competition with interest banks, which Islamic banks have to face will affect the profitability of Islamic banks, and should cause the management of these banks to think about introducing new innovative strategies and marketing techniques for the productive and profitable use of funds for the benefits of all parties concerned (i.e. shareholder, depositors, employees, and the community).

Another problem facing Islamic banks is that the infrastructure is not yet strong enough to take care of growing trends, systems, and procedures, evaluation techniques,

marketing instruments, training, and lack of qualified staff. (AlTamimi ,1986 p.32).

There are other problems about the quality of services rendered by Islamic banks. Shehata (1983) sums up the reasons for the shortages of quality of services rendered by these banks as follows:

1. Shortage of technical resources of Islamic banks. Islamic banks are not able, technically, to meet the huge unexpected demand on their services, especially in the early stages of establishment.

2. Not using technology such as computers, and other modern means of communication by Islamic banks.

3. Shortage of qualified, trained staff who believe in the mission of Islamic banks in spite of the big activities of these banks.

4. Misconception, and the doubt of "Murabaha" method as being accepted by Islamic principles. This problem was resolved by a statement of the second conference of Islamic banks in Kuwait, in which it was declared that "Murabaha" is refined from "Riba". Still people are not aware of the justifications behind that; it is the responsibility of Islamic banks to inform customers of the justifications behind using Murabaha from an Islamic point of view .

5. Doubt about dealing with interest banks, and investment in non-Islamic countries, and opening branches quickly locally and abroad. There is a doubt that these activities might include "Riba".

6 .Doubt about dealing with bad customers. Shehata believed that this is not true since Islamic banks study and analyse the character of each customer before.

7. Doubt about expenses of free Interest loan (Qard Hasan). Some believe that it is like interest. It is an Islamic banks policy that customer who is eligible for Qard Hasan (free interest loan) pays commission. This commission is paid only one time. Unlike interest, it is a compensation for administrative expenses of Qard Hasan division. It is an amount not linked with the time and the amount of Qard Hasan. Through the marketing strategy of Islamic banks, customers should be informed of the reasons for charging commissions on the Qard Hasan.

Added to the above mentioned problems, are the attacks on Islamic banks especially in the Muslim countries, as well as the misconception and the misunderstandings of Islamic banking concept. These problems and others make it a must that Islamic banks should adopt new marketing concepts and techniques to be able to compete, survive, grow, and prosper.

3. 8 Performance of Islamic Banks

The early stages of operations of Islamic banks especially, in Egypt and Sudan, saw an emotional rush to open current trust accounts for many sectors of the population who did not deal with conventional banks or dealt unwillingly. Al Tamimi (1986, p.34) states that cheap money was available to these banks and

thus profits were high.

The Islamic banks experience recorded progress in attracting depositors, and a great deal of funds went to productive sectors, including self-employed entrepreneurs (Al Tamimi, 1986 p.30). For example, In The Kuwait Finance House, (the first Islamic bank in Kuwait started business on 31/8/1978), about 170 account were opened in the first day, and according to its First Annual Report (1978, p.10) 5934 accounts were opened during the first four months with about 21 million Kuwaiti dinars.

Quasim (1986 p.20) states that Islamic banks have succeeded in financing international trade by "Murabaha" which he believed that it is the most popular short-term means of financing on an Islamic basis.

In the annual evaluations of the performance of the top one hundred Arab banks, the magazine the "bankers" ranks the banks according to their pre-tax earnings to assets ratio (ROI). According to this ratio the two Islamic banks: Faisal Islamic Bank of Egypt and Kuwait Finance House occupy the ranks one and two for 1983. Neinhaus (1986 p.14) ranks these two banks somewhere below other fifteen ranks considering, deducting profit share due to depositors from net profit, which could be better measurement than "The banker" magazine measurement due to the nature of Islamic banking, in which depositors share has to be deducted from net profit. Nienhaus (1986, p.7) comments on the performance of Islamic banks saying that:

" Islamic banks have been very successful in the mobilization of funds, and deposits have persistently

grown"

Islamic banks are now well placed to address many of the problems of the third world development by mobilizing internal resources. This is probably the greatest achievement of Islamic banking in bringing some of the 700 million Muslims in the world into the banking system. The achievement of Islamic banks could be known from the following published facts:

1. The increase in the number of Islamic banks to more than 50 times in ten years.
2. The expansion in the activities and profits of Islamic banks, as can be seen from Table (3. 2), which shows the trend of deposits, investment, liquid assets, and net profit of some Islamic banks during the years 1979--1982.

The success and the increase in the transactions of Islamic banks especially in the deposits and investment field on non-interest basis, weakens the idea of interest as a basic phenomenon, and might destroy its foundations and gives some doubts about what economists believe about interest such as Samuelson (1976 ,p. 606) who believes that interest is unlikely to disappear. In his words:

'...Thus, interest is a basic phenomenon unlikely to disappear even in the most ideal economic world".

One can conclude that financing business through Islamic banking is not only a change of form and technique but means very serious changes and reform in the setup of modern banking.

3.9 Summary

In this chapter, the concept of Islamic banking, and how it is influenced by the Islamic culture, and how economists deduce principles of Islamic economics from the Holy Quran and Sunna are presented. Services rendered by the bank in general are also presented, and how these services are vital and useful to Islamic economy as they had been to any type of civilization, and how Islamic banking must be created to introduce several non-banking customers into the banking system and render services to those who are unwillingly dealing with other banks because the other alternative does not exist. The history of Islamic banking is discussed, stressing that the Islamic banking concept is not new. Banking activities on a non-interest basis were practiced in the early years of Islam; and how this concept is put in the form of institution during the last two decades.

This chapter also categorizes Islamic banking into four groups: Islamic banks operating in a total Islamic order, a unique model of Islamic banking (the Islamic Development Bank in Jeddah), Islamic banks operating in the Middle East and Islamic banks operating in non-Muslim countries. The objectives of Islamic banks, definition, philosophy of these banks; and the reasons for not using interest as deduced from the verses of the Holy Quran, and the economists' point of view about the problems caused by the use of interest are presented. Views about the justification of using interest like risk, abstinence, liquidity preference are presented and critics to these reasons are also

pointed out. The misconception of Islamic banking, and confusion is also outlined. In addition, problems facing Islamic banking, and performance of Islamic banks are presented. This chapter introduces Islamic banking in general to the reader. The following chapter gives an idea about Islamic banking in Jordan.

Chapter Four

Islamic Banking in Jordan

4 Introduction:

Islamic banking nowadays became a reality; rarely one can find an Islamic country without having at least one or two Islamic banks operating; Jordan is no exception; Islamic banks in Jordan, their emergence, objectives, analysis of activities and performance are presented below.

4.1 History of Islamic Banking in Jordan

Jordan was one of the first countries in the world to establish an Islamic bank. The idea of managing funds according to Islamic principles in Jordan goes back to 1972, when the establishment for The Management and Development of Orphans Fund was established as a pure Islamic institution. Because it was impossible to manage the funds of this institution in a way which contradicts with Islam. The funds were used to be invested in non-interest yielding kinds of investment.

In 1975, Jordan took another step towards promoting the existence of Islamic banking. Jordan participated in the procedures to establish the Islamic Development Bank in Jeddah.

The first financial institution in the form of a bank focusing on the issue of the elimination of the rate of interest from the

system in Jordan, was as has been noted the Jordan Islamic Bank for Finance and Investment which was established in Amman in 1978 under the Law no. 13 of 1978 in the form of a shareholding company, with a capital of J.D. 4 million.

Another institution was created called The Jordan Finance House For Development and Investment in 1981 ,registered with the controller of companies under no. 155 on July 5, 1981 as a shareholding company, with a capital of J.D. 6 million. The first board of directors of The Jordan Finance House met on November 4, 1981, and decided to follow Islamic principles in all its activities, and to avoid the use of "Riba". (Internal regulations of the Jordan Finance House, 1981. p.7).

These two main Islamic institutions are working nowadays in parallel to other conventional banks in Jordan without difficulty. This suggests that Islamic banks and other conventional banks can co-exist with each other. It is believed that in the coming future, other Islamic financial and banking institutions will be established, subject to the approval of the Central Bank of Jordan.

4.2 Objectives of Islamic Banks of Jordan

Reviewing the internal laws and regulations of the above mentioned two institutions, following objectives are mentioned:-

- 1- Rendering banking services, financing, and investment to meet the social and economic needs of the country in a way

which is refined from Riba. The Statement refined from "Riba" is not mentioned in the objectives of the Jordan Finance House, but it has been decided to work accordingly from the first day (First Board of Directors meetings on Nov. 4, 1981).

2. Expanding the banking services of the banking sector, through introducing non-interest services for the revival of organized social cooperation on the basis of a share benefit.

3. Developing the methods of attracting deposits, and savings and directing it towards investment participation according to non-interest banking principles .

4. Making financing available to sectors particularly those which can not benefit from credit facilities on the basis of interest (i.e. to finance sectors which refuse to deal with banks on the basis of interest).

To achieve these objectives, following activities are performed by the Islamic banks in Jordan (Jordan Islamic bank, Internal rules and regulations 1978:4-5):

1. Non-interest banking services as such as:
 - a- Acceptance of deposits of different kinds.
 - b- Collection of commercial papers.
 - c- Transfers, letters of credits, and letters of guarantee, credit cards and other banking services.
 - d- Money changing on the basis of spot price and not forward price.
 - e- Granting loans on a non-interest basis
 - f- Management of real estate.
 - g- Feasibility studies for clientele; offering information

and advice.

2. Social services such as:

- (a) Qard Hasan (non-interest loan) for special productive purposes
- (b) establishing and administering funds for social benefits as the Zakat Fund, and other social activities.

3. Finance and investment activities refined from "Riba" through Mudaraba, decreased participation, and Murabaha and other similar means.

In addition to these activities, the Jordan Finance House enters into the following activities (Jordan Finance House Internal Rules and Regulations 1981 :10-14)

- a- Brokerage business for the favour of its customers and itself (buying and selling securities).
 - Seller of new issues
 - Underwriter of new issues.
 - Financial advisor for investment in securities.
- b- Financing imports especially capital goods.
- c- Facilitating buying and selling of companies, and their mergers.
- d- Buying equipments and machinery for the purpose of leasing (Ijara).

One can conclude from the preceding discussion that these two institutions are in a competitive situation :

- 1. They are competing for one segment of the market (i.e. the non banking one ,those who were not dealing with banks before because the other alternative did not exist.

2. They are competing with other banks on the other segment of the market (i.e those who have the banking habit).

For the first segment, it appears that the Jordan Islamic Bank was able to attract more customers, build reputation before The Jordan Finance House, since it was established and started business three years before, At the time of the establishment, Jordan Islamic bank was the only alternative to the existing conventional banks. While for the second segment of the market, both Islamic Institutions have to compete with well-established conventional banks. Conventional banks of Jordan are superior, having the experience (some of them like the Arab Bank has an experience of about 50 years at the time of establishing Jordan Islamic Bank), and well-trained personnel. This was a great challenge to this new type of institutions. An analysis of the performance of these two institutions is shown below.

4.3 Analysis of Performance

4.3.1 Jordan Islamic Bank For Finance and Investment.

Jordan Islamic Bank's (JIB) ultimate objective is to render all banking services and all financial investments in compliance with Islamic legislation, refraining from paying or receiving interest. The announcement of the ultimate establishment of the bank, and the subsequent election of the first Board of Directors took place on 22nd Feb., 1979. The bank's

commencement permit was granted as from the 3rd march, 1979. The virtual commencement of operations took place on 22nd Sept, 1979 with the first branch in Amman. On 11th march, 1980, JIB obtained the approval of the Central Bank of Jordan to open four further branches scheduled to commence operation during 1980 in the following areas: Wehdat, Jabal El-Hussain (In Amman) Zarka and Irbid.

Achievements of The JIB during the first three months (22nd Sept-31 Dec) of its operations are stated in its first annual report(1979 ,pp.14-17). These are summarised below :-

- 1.JIB successfully attracted the attention of those who were refraining from dealing with traditional banks even to the extent of depositing funds without claiming any interest. The bank accepted deposits in the current accounts of J.D. 2,525,000 and joint investment account (savings and fixed deposits) of about J.D. 1,412,000 and J.D. 1,000,000 specified investment account during the first three months of operations. Some of those depositors who were attracted by JIB declared that their bank-notes had been hidden for years at home, awaiting for such a bank which deals in compliance with Islamic legislation (JIB, 1st Annual Report,1979, p.15).

- 2.JIB managed to convince people to accept the concept of investment account.

3. Satisfying the reasonable ambitions of those who desire to obtain the needed financing for their projects, which they would not have asked for, had there been no legitimate Islamic entrance to it, financed projects within this very short period

of time, reached J.D. 731,623 as at the end of 1979. All these investments were on the basis of Islamic principles (Mudaraba, participation, and Murabaha).

4 .Putting into practice the new banking concept which have become familiar to the banks' customers.

These participation rules could be summarized as follows : Some of the deposits participate in the banks investments (joint investment accounts, and specified investment accounts).While other types (current account) do not participate, and are not subject to any condition when depositing or drawing, hence do not participate in the banks profits. While Investment deposits do participate in profits realized by investment operations in accordance with the declared percentage. JIB declared the following percentages for participation:

a- Savings accounts participate by 50% (e.g. if one deposited in the savings account J.D 100 , only 50 J.Ds participate in the profits). This is due to the fact that the bank might not be able to invest the one hundred dinars from the first day of depositing, and the need to maintain part of the deposit as liquid for liquidity purposes.

b- Notice accounts participate by 70% (since it is more fixed than the previous one).

c- Fixed accounts participate by 90%.

The percentages were declared to the public from commencement of business (JIB, Annual Report, 1979, p.16).The board of directors resolved to allocate (50%) of the net profits realized by investment operations for distribution on joint

investment accounts; (30%) to be allocated to the bank as manager of funds, and (20%) for replenishment of the account allocated to cover investment risks. This indicates that deposits participate in profits like capital with 50% of the profit to be shared between depositors and shareholders. Deposit share increases according to the type of deposit, less for savings, more for notice account, and more for fixed. The bank gets 30% of the profits as a manager; while allocates 20% of the profit to cover investment risk. This allocation minimizes the possibility of loss for the depositors.

Another type of deposit is accepted by the Islamic banks, and JIB is no exception. This type is called the specified investment account which represent deposits given by their owners to be invested in a specified field, on the basis of receiving their profit and bearing their loss . The bank obtains 25% of net profit realized from the specific project in lieu of its work and efforts, while the remaining 75% goes back to the depositors.

A summary of Jordan Islamic Bank (JIB) performance during the period 1979-1988 is presented below: (Since the transaction of JIB during 1979 was only for three months, the analysis starts from 1980.)

The JIB started operation on 22nd Sept, 1979 with a paid-up capital as at the end of 1979 of J.D. 1, 888, 857 (i.e. less than J.D 2 million). Within three months, total assets reached J.D. 7, 261, 050 or about 3.8 times the capital. This increase in the assets was due to the rush in opening accounts. Total types of

deposits during the first three months of operation were J.D. 4, 967, 612. This indicates a very good start.

Assets doubled in the 1980s and increased at a very considerable rate until it reached J.D. 222, 584, 000 by the end of 1988 as shown in Table (4.1) which shows some of the trends of JIB business activities. Assets within a period of nine years (1980-1988) increased by more than fourteen times. Rarely, one can find such an increase in a conventional bank operating in Jordan. Assets of all banks in Jordan were totalling J.D. 1,070 million in 1980 reached J.D. 3,250 million in 1988 {Central Bank of Jordan, 1989 p.21} i.e. tripled during a similar period. This shows how successful was JIB in Jordan in comparison to conventional banks in terms of asset growth

Deposits constitute the main source of financing for banks JIB deposits by the end of 1979 were totalling J.D. 4,422,519, reached J.D 11, 642,000 in 1980, and increased at a rapid rate until it reached J.D. 17.8 million by the end of 1988, or more than forty times of the deposits of 1980. While deposits with conventional banks in Jordan were totalling in 1980 J.D. 808,48 million reached J.D. 2, 338, 5 million by the end of 1988, or about 2.8 times of that of 1980. Table (4.2) shows the growth rate of deposits of Islamic banks and conventional banks in Jordan.

Capital and reserve is another source of financing for banks. JIB started in 1979 of less than J.D 2 million . Capital doubled

in 1982 because the capital by this year was fully paid. Capital and revenues increased at a rapid rate till it reached more than ten million Jordanian dinars by the end of 1988. Capital reached six million, two million of stocks were sold at J.D. 3.6 million in addition to the accumulated profit (revenues reached more than J.D 4 millions by the end of 1988). Capital and reserve within the same period were more than tripled, while for conventional banks it was more than doubled (see Table 4.2).

As for the investment side, financing projects through several means of investment (Mudaraba, Musharaka, Murabaha, and specified investment projects) by JIB increased at a very rapid rate. In 1980 total investment reached J..D. 6,746,000 and J.D 140,700,000 by the end of 1988 or about more than twenty times. Thus participating in the development of the country compared with conventional banks' credit facilities in Jordan which were J.D. 563.86 million in 1980 reached J.D. 1,634,000 million in 1988, or more than double, in other words, the growth rate of investment by JIB is about 7.5 times the growth rate of credit facilities by all commercial banks in Jordan .

- As for profitability of the bank, the JIB started to make profit from the first fiscal year. By the end of 1980 the banks profit before tax reached about J.D. 1400 and J.D. 863,000 in 1982, and fluctuated from year to year until it reached J.D. 1,158,903 in 1988.

Table 4. 1 Growth of Jordan Islamic Bank Business
Activities during the periods 1980-1988
In millions of J.Ds

Item \ Year	1980	1982	1984	1986	1987	1988
Cash in hand and with banks	6.6	12.8	27.6	45.8	66.0	74.8
Specified Investment Projects	-	-	-	13.2	15.4	15.9
Investment Financing	6.7	26.5	63.0	95.5	109.0	124.1
Deposits	11.6	35.8	82.9	127.6	158.5	177.8
Capital and Reserves	2.0	4.2	4.6	9.8*	9.9	10.4
Total Assets	15.5	45.3	102.1	161.7	197.4	222.6
Total Revenues	.524	1.77	2.3	2.9	3.1	3.9
Total Expenses	.51	.91	1.4	2.1	2.3	2.8
Net Profit before Tax	.014	.86	.9	.8	.8	1.1
Dividend ratio	(1)					
a)to depositors	8. %	7.2%	5.7%	5.1%	5.2%	5.35%
		(2)		(3)		
b)to shareholders	-	8 %	9 %	9 %	9 %	12%

* Capital increased by J. D 2 million with a market value of J. D 3.6 per share.

(1) For 15 months

(2) On paid in capital which represents 75% of issued capital

(3) Includes dividends to new shares of J. D 2 million.

Source: Several Annual Reports of Jordan Islamic Bank,
Amman.

Table 4. 2: Sources of funds of Islamic banks and conventional banks in Jordan, during the periods 1980-1988

(In J. Ds millions)

Source\ Year	1981	1982	1984	1986	1987	1988
a- Deposits						
Jordan	25.3	35.8	82.9	127.6	158.5	1778
Islamic Bank						
Jordan finance	—	.5	2.6	3.3	5.4	N.A
House*						
Conventional	978	1170	1603	1946	2142	2338
Banks						
b-Capital and Reserves						
Jordan Islamic	3	4.2	4.6	9.8*	9.9	10.4
Bank						
Jordan Finance	—	4.3	6.0	6.4	6.4	N.A
House						
Conventional	91.7	131	153	177.5	185.6	194.3

* Started business on 1982.

** Increase of capital by two million but sold at J. D 3.6 million.

Source: a- Annual Reports of:

Central bank of Jordan

Jordan Islamic bank

Jordan Finance House

b- Central bank of Jordan, Monthly Statistical Bulletin,

svol. 25, No.1, Amman, January 1989.-

Dividend yield to depositors fluctuated as a result of fluctuation in profit from year to year, and it ranged from 5.1% to 8.2%, while dividend yield to shareholders was in the average of 9%. If one compares dividends to depositors with interest rates on deposits paid by commercial banks in Jordan, one will notice that dividends to depositors by the Jordan Islamic Bank were higher than interest rate paid by banks on deposits. While dividend to deposits ratio during the last years was about 5.35% in the average, the term nature of deposit rates in Jordan ranged from 2% to 4% on deposits with notice and from 5%-7.5% on time deposits depending upon the maturity of the deposits. The rate in the average for all kinds of deposits, the figure was about 4.75% annually (Central Bank of Jordan. Monthly Statistical Bulletin, 87 p.30).

- Branches : JIB branches increased from one branch in 1979 until it reached 14 branches by the end of 1988 covering different areas of Jordan.

-In addition to the above mentioned activities, the bank granted free-interest loans (Qard Hassan) totalling J.D. 290,304 by the end of 1985, and J.D. 516,000 by the end of 1988 to about 1430 people. Table (4.3) shows the balance sheet of the Jordan Islamic Bank as at the end of 31 Dec, 1987 and 31 Dec, 1988.

4.3.2 Jordan Finance House (JFH)

The JFH was granted permit by the Central Bank of Jordan on 25/3/1982 to commence banking activities with an issued capital of J.D. 6 million to render banking services, financing, and investment with modern techniques in accordance with

Islamic Sharia.

The first half of the year 1982 was occupying the planing and the establishment stage, while in the second half, JFH started business in Amman, makes revenues able to cover expenses and generate profits. The first Annual Report of JFH (1982) shows that its profits for the first year totalled about J.D. 57,000 in addition to about J.D. 5000 paid to depositors in the investment accounts. In less than half a year JFH was able to attract deposits (investment deposits) of about J.D. 456,537. JFH followed the same policy of the Jordan Islamic bank to make deposits participate in the banks investment (i.e. investment deposits do participate in the profits received by investment operations in accordance with the declared percentages for participation). JFH declared the following percentages for participation (JFH annual report 1982 p.23).

- a- Savings accounts participate by 50%.
- b- Notice accounts participate by 70%.
- c- Fixed accounts participate by 90%.

In the year ended 1982 (i.e first year of operation), depositors share from dividends on savings accounts was 6%, and on notice and fixed account 8% (Annual Report 1982, p.23).

Within one year, assets increased of about 60.3% in 1983 as compared of 1982. Financing and investment increased by 109.3%, deposits increased by 351.4 %, and profits increased by

Table (4.3): Jordan Islamic Bank Balance Sheet as at 31, Dec, 1988
In J. D thousands

Assets	1987	1988	Liabilities	1987	1988
- Cash in hand and at banks	65956	74764.7	Current account	31229.1	35078.2
			Joint Investment account	127274.5	142725.5
- Securities Portfolio (stocks)	321.8	248.1	Bank deposits	2067.6	3070.9
- Social purpose loans and bills discounted :	313.9	454.6	Specific Investment account	15934.1	17153.8
- Investments (Mudarba, Musharaka, Murabaha, etc.)	108997.2	124150	Misc. Cash Margins	1751.3	3163.5
			<u>Provisions:</u>		
- Special Investment projects	15352.1	15894	a- For Investment risk	3416.2	4097.5
- Net fixed assets	4663	4881	b- For staff indemnities	25	50
Other assets	1812	2191.6	c- For income Tax	118.8	135.6
			<u>Dividends:</u>		
			a- To shareholders	540	720
			b- To depositors	4446.1	5593.1
			c- Staff merit rewards	21.6	29
			- Sundry liabilities	486.6	391.
			- Paid up capital	6000	6000
			- Statutory Reserve	3094.9	3210.8
			- Voluntary Reserve	600	750.
			- Special Reserve	240.5	300
			- Retained profits	180	115.3
Total Assets	197416	222584	Total liabilities	197416	222584

Source: Jordan Islamic Bank Annual Report 1988 pp. 36-37

about 8 times. These were J.D. 56,779 in 1982 increasing to J.D. 44198 in 1983. 8% on deposits were distributed annually as dividends for the year 1983 ,1984 ,1985 (JFH Annual reports :1983 ,1984,1985). Table (4. 2) shows that deposits as a source of finance for the JFH were about J.D. 0.5 million in 1982 which increased to about J.D. 5.4 million in 1987 or more than ten times during this period, but still constitutes only about 42 percent of the total assets of 1987 .While capital and reserve constitutes about 50 percent .

Total assets doubled during the period 1982 -1987. It was J.D. 5,274,000 in 1982 reached J.D.12,783,000 by the end of 1987. While profits increased as a result of increasing investment financing.Investment financing increased from J.D 2,470,000 by the end of 1982 to J.D. 6,543,000 by the end of 1987 or about 265%. While profits increased from J.D. 57000 in 1982 to J.D. 653,000 in 1985, or more than ten times. Then started to decline in 1986 ,1987 till it reached only J.D 55000 for the year 1987. The explanation to this decline in profits is due to decreasing the Murabaha ratio to be in conformity with the market rate of interest (JFH Annual Report, 1987 pp:89). Stockholders received dividends starting the year 1984, While depositors received them starting 1982.

4.4 Summary

Islamic banking in Jordan has become a reality; Two main Islamic banks are operating in Jordan. The Jordan Islamic Bank

for Investment and Finance (JIB), and The Jordan Finance House (JFH). Most of the market for Islamic banking was gained by JIB rather than by JFH. This might be due to the fact that JIB preceded JFH in operation by three years, and the nonbanking segment of the market was waiting for an Islamic banking institution, Islamic banking in Jordan is working in parallel to other conventional banks without any problem. The objectives of Islamic banks in Jordan concentrate on the idea of rendering banking services refined from Riba (Interest); and serving both the banking and the nonbanking sectors as well as rendering social services like free interest loan (Qard Hassan) to needy people and special productive purposes. An analysis of the performance of the two main Islamic banks in Jordan has been presented. Growth rate of assets, deposits, financing and investment, profits, and dividends to both shareholders and depositors, comparison with conventional banks are also presented.

Chapter Five

Literature Review: Bank Marketing

5. Introduction

Marketing develops as a society and its economy develop. Modern marketing was born with the industrial revolution. Aggressive marketing practices have been largely responsible for the high material standard of living in the United States. Between one fourth and one third of the civilian labour force is engaged in marketing activities. Moreover, on the average, about 50 cents of each dollar spent at the retail level goes to cover marketing costs (see Stanton 1981, p.6).

The value of the product cannot be realized unless it is marketed to consumers. Thus marketing plays an important role for the producers of both goods and services. It is a vital function in both profit-seeking and non-profit seeking organizations. This chapter is designed to provide an understanding of marketing in general, and marketing of bank services in particular. It is divided into the following sections:

- I. Marketing: Definitions and Marketing Concept.
- II. Product versus Services Marketing.
- III. Bank Marketing History.
- IV. Bank Marketing Strategy.
 - a - Target Market.
 - b - Marketing Mix.

- 1- Bank services.
- 2- Pricing of bank services.
- 3- Distributing bank services.
- 4- Promoting bank services.

5.1 Marketing: Definitions and Concept

Prior to the early twentieth century, marketing was a branch of economics, namely, distribution. As the economy became more complex, marketing became a separate and applied discipline. Marketing courses started to appear at the college level in the early 1900s. Schoell and Ivy (1982, p.12) state that marketing borrows concepts, theories, and practices from other disciplines such as economics, sociology, anthropology, political science, psychology, and social psychology. Kotler (1972) rejects the idea that marketing is intrinsically a business technology, and believes that there is a generic concept of marketing which is relevant to both profit and non-profit organizations. This makes marketing relevant to all organizations having customers or publics. The use of the marketing arts in pursuit of profit is called commercial marketing, while the use of these arts to further non-profit objectives is called social marketing (Wentz 1979, p.20). Kotler and Zaltman (1972) define social marketing as

" The design, implementation and control of social ideas involving considerations of product planning, price, communication, distribution and marketing research".

This definition implies that the purpose of social marketing

is to increase the acceptability of a social idea, cause, or practice in a target group. Examples are safe-driving, family planning, blood donation. Marketing has been defined in various ways by different writers because marketing is not just for business firms, but important to all individuals and organizations that seek to accomplish goals. Job applicants market themselves to job interviewers, and candidates for public office market themselves to voters. Schoell and Ivy (1982) divide marketing into two types : macro marketing, which is the process in an economic system that organizes productive resources to produce a flow of products that satisfies the system's objectives, and micro marketing, which focuses on the marketing effort of a particular individual, business firm or any other type of organization. In this section micro marketing is discussed rather than macro marketing.

Many writers define marketing as a process Kotler (1984, p.4) defines marketing as:

"a social process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others".

Schoell and Ivy (1982, p.12) define marketing as:

"the process of managing effort in a dynamic environment in a socially responsible manner to facilitate exchange relationships which match an organization's capabilities and resources with the wants of selected market targets (present and potential customers)".

Stanton (1981, p.6) defines marketing as:

"a system of business activities designed to plan, price, promote, and distribute something of value: want satisfying goods and services to the benefit of the market. present and potential household consumers or industrial users".

Wentz (1979, p.20) defines marketing by its basic five functions sometimes called variables or "instruments" which are: product, distribution, promotion, price, and research.

Cundiff, Still, Govoni (1976, p.6) define marketing as:

"the managerial process by which products are matched with markets and through which transfers of ownership are effected".

This definition implies that products include service.

Bechman, Davidson, Talarzyk (1973, p.4) define marketing as:

"The process in a society by which the demand structure for economic goods and services is anticipated or enlarged and satisfied through the conception, promotion, exchange, and physical distribution of such goods and services".

Finally, the American Marketing Association defines marketing as

"the performance of business activities that direct the flow of goods and service from producer to consumer or user."

All the above definitions of marketing treat marketing as a process, or a system of business activities, or the performance of business activities or by its functions. Lovelock and Young (1984) define marketing as: "the art of demand management".

Anderson (1983) defines marketing as:

"a technology for influencing the behaviour of customer groups".

Contrary to Anderson, Blood (1975) believes that marketing is more than a group of techniques. He believes that there must also be a total commitment to the customer on the part of the company as a whole, and marketing has to do with matching resources to needs. Thus, Blood's definition of marketing is:

"the management process which identifies, anticipates and satisfies consumer requirements profitably".

This definition contains:

- 1- a concept which places the customer in the fore front of the corporate thinking.
- 2- a series of techniques which permits the concept to be successfully, economically and profitably implemented.
- 3- no total commitment to the customer on the part of the company as a whole, since the application of advanced modern marketing techniques can have only limited and brief effect.
- 4- usefulnesses of customer research to discover the true needs of the customer.
- 5- action being taken prior to an event, (i.e. courageous

decisions) is anticipated, implied, therefore, marketing means forward thinking followed by forward action.

Levitt (1971) used customers as the basis for defining selling and marketing. In his words:-

"Selling is finding customers for what you have; marketing is making sure you have what customers wants".

Bancroft (1980) argues that in all marketing circles, communication is synonymous with marketing, while Crane (1965) argues that a large part of the marketers' task is concerned with communication.

Drucker (1954) believes that marketing is so basic that it is not just enough to have a strong sales department, and entrust marketing to it. Marketing is much broader than selling. It is not a specialized activity at all, for it encompasses the entire business. It is the whole business seen from the point view of the final results, that is, from the customers' point of view. Concern and responsibility for marketing must, therefore permeate all areas of the enterprise.

One can conclude that marketing is not simply a new word for selling. From the first, the company must understand that its existence is dependent on identifying, anticipating and satisfying consumer requirements profitably. Thus understanding the needs and wants of the consumer helps in knowing what to market, to whom, when and how to market. In this age of increasing consumerism, the basic philosophy of

management should be consumer-orientated (see Sheehan 1970).

Stanton (1981 p.10) argues that the marketing concept is a philosophy of business which states that customers want satisfaction is the economic and social justification for a firm's existence. While McNamara (1972) argues that the marketing concept is a philosophy of business based upon a company wide acceptance of the need for customer orientation, profit orientation and recognition of the important role of marketing in communicating the needs of the market to all major corporate departments. Majaro (1985) states that customer orientation means that every one in the firm has been brainwashed to recognize that the "Customer is King" and what is good for him or her is good for the firm business. Berry & Donnelly (1975: 9-11) also stress the importance of customer orientation, and believe that a firm's existence depends upon the customer. They state that the "customer is the business". They define the marketing concept as

"customer satisfaction at a profitable volume in an integrated, efficient frame-work and in a socially responsible manner'.

This definition takes into consideration satisfying the needs of several parties: the customer, the firm itself and the society. Moreover, it is a philosophy, intangible, something to believe in, a frame of reference, a basis for decision making, a guide for managing resources effectively.

Kaldor (197) notes that the customer doesn't always know what is needed. (e.g medical doctor-patient relationship), thus the marketing concept does not urge us to depend solely on market research. Customers have to learn about new technologies, belief and ways of behaving. Houston (1986) concludes that

"Unfortunately. many marketers have taken the marketing concept to mean that marketers should take their lead from the expressed needs and wants of customers".

Summary :

One can conclude that different writers define marketing in different ways because marketing is not just for business firms. Most writers define marketing as a social process, some define it as a system of business activities, others as the art of demand management; still others define it as a business of creating customers, as a technology for influencing the behaviour of customers groups, or as a specialized activity. Most writers agree that marketing is not another name for selling, and the company must understand that its existence depends upon identifying, anticipating and satisfying consumer needs. The Chartered Institute of marketing (Berkshire) is right to have its publications marked "marketing means business".

Most writers agree that the marketing concept states that the customer is the business and customer satisfaction is the goal of the firm, but the firm should help the customer in identifying his needs and wants. The marketing concept is based

on three fundamental beliefs:

- 1- all company's planning, policies and operations should be orientated toward the customer,
- 2- Profitable sales volume should be the goal of the firm.
- 3- Social responsibility should be considered.

The marketing concept does not suggest that the firm should never sell a product or a service at a loss; rather, when an organization does sell at a loss ,it should recognize that it is doing so, and it has a good reason to do that (i.e. free checking account replaced by effective cross selling). Haas (1974) stresses the idea that the marketing concept is the key to modern day marketing and it calls for the integration of such functions as advertising, sales promotion, distribution into a total package designed to meet predetermined target customer needs.

McNamara (1972) argues that the marketing efforts should be treated as a coordinated and integrated system of related activities and placed under the top marketing executive, and coordination among the major departments of a firm is a prerequisite for the implementation of the marketing concept. Top management commitment to marketing is required for a successful marketing program. According to Stanton (1981) :

"As an executive at the Chase Bank stated:

"marketing begins with top management. Only top management can provide the climate, the discipline, and the leadership required for a successful marketing program".

And the president of Pepsi-Cola said:
"Our business is the business of marketing".

Thus the key to implementing the marketing concept successfully is a favourable attitude on the part of top management . Berry and Donnelly (1975) state that the marketing concept as an organizational philosophy needs:

- 1- support of top management: understanding, belief in, an commitment to this philosophy.
- 2- the marketing concept must become a philosophy of the whole firm not only just a philosophy of the marketing department within the firm. It must pervade the organization.

Meidan (1986, p.12) argues that marketing enables the firm to fight competition, to cope with changes in the environment and customers preferences and needs and to become more efficient and profitable in their use of resources. Pearson (1975) states that the function of marketing is to attempt to harmonize the businesses resources with the opportunities in the marketing place, decisions must be aimed at expanding markets, improving competitive position, developing new services and channels of distribution. These decisions are often dependent upon the laws as well as their commercial feasibility.

One can conclude that good marketing is concerned with customer, change, with innovation, with the total environment, with profits, with social responsibility and with maximizing

opportunity. Kotler, and Levy (1969) are right to say that marketing is a relevant discipline for all organization in so far as all organizations can be said to have customers and products. Thus, the concept of marketing was broadened to include all organisations with all kinds of products and services. Enis (1973) states that broadening the concept of marketing is a significant contribution to the development of the discipline. The main interest of this researcher is to concentrate on bank marketing. Therefore, product versus service is discussed in the following section, then bank marketing as a branch of service marketing is discussed in the third section.

5.2 Product versus Service Marketing:

The purpose of this section is to present the differences between products and services and related marketing implications in an attempt to discuss bank marketing as the selling of financial services rather than of tangible products.

Products and services are used interchangeably by many writers. Since writers believe that consumers do not buy goods or services, but the value satisfaction of offerings (Reidenbach and Pitts ,1986, p.101, Bateson ,1979, Nickels, 1978, p.174, Levitt 1974, p.8, among others). Bateson defines a product as:

"any bundle or combination of qualities, processes and capabilities (goods, services and/or ideas) which a buyer expects will deliver satisfaction".

Donnelly (1975) states that marketing of goods and services are the same, and mentions that the marketing techniques

discussed under goods apply as well to the marketing of service such as banking. He adds that in both cases the marketer must be concerned with developing a marketing plan around the four controllable decision variables that comprise the marketing mix: product, price, distribution system and promotional program. He says that the use of marketing research is also equally valuable to marketers of services and marketers of goods. Baker (1981) divides differences and/or similarities between service marketing and goods marketing into strategic and tactical levels. At the strategic level, the basic marketing approach should be the same for services as well for goods. The importance of differences between goods and services, he says, lies at the tactical level of competition between producers of similar outputs. The differentiating factors between goods and services can provide useful guidelines for developing an effective marketing strategy for both of them.

5.2.1 Differences between Goods and Services

Until the mid-seventies writers state that no attempt had been made to examine whether the principles of goods marketing in traditional product areas are transferable to the marketing of service, people and ideas. (see Stanton and Ellies, 1975, Kotler and Levy, 1969, Johnson, 1964, among others). Ryans and Wittink (1977) argue that the debate about marketing of services has centered around the extent to which it differs from marketing of products. Meidan (1975) differentiates goods from services in terms of the relationship between the buyer and the

seller. He states that in terms of goods, the buyer/seller relationship is often terminated with the transfer of title and thus prior to the consumption of the product, while buyer/seller relationship in services (esp. banks) is actually only initiated by the sale agreement and is maintained throughout the process of consumption so that the relationship has a relatively large degree of permanence. Moreover, proximity is important in commercial banking, because the customer visits his bank regularly to enjoy a variety of services. This tendency has declined by the use of credit cards, bank-by-mail services, and a general movement towards a checkless system. Meidan argues that this permanent and physically proximate relationship has special significance for the application of marketing principles.

Writers cite several differences between goods and services marketing, some differentiating according to the behaviour of the customer. Lovelock (1984, p.339) states that purchasers of goods rarely see the factory where the product is manufactured; purchasers of services, by contrast, often have to visit the factory to consume the product. He adds, service operation can be thought of as a system, part of which is visible to customers, other parts hidden, so that the customer may not even know of their existence. While Berry (1986) differentiates goods from services according to the tangibility of the product. He states that :

"service businesses sell performance, goods businesses sell things".

These performances are often labour intensive with the

service provider being in effect, a part of the service. Zeithaml (1984) states that one of the main differences between goods and services is that it is harder for consumers to evaluate services than goods, and the difficulty in evaluation, forces consumers to rely on different cues and processes when evaluating services. Thus, the perceived risk is higher for consumers purchasing services as opposed to physical goods because services are intangible, non-standardized, and are often sold without guarantees or warranties.

Lovelock (1984) argues that service marketers who came from consumer packaged goods note sharp differences between goods and service marketing. These differences include:

1. A narrow definition of marketing held by executives.

New product development, retail site location, pricing, product line policy have traditionally been excluded from marketing's domain in the service sector. Professional marketing management is still relatively new to the service sector. Van Doren, Smith and Biglin (1985) state that there is still a considerable number of lawyers who feel that professional services marketing is going to harm the legal profession, and part of this negative reaction towards marketing comes from a reluctance to recognize legal services as an item to be sold.

2. Limited appreciation for marketing skills.

3. A relative lack of data on competitive performance. In most service industries, there is special constraints face non-business marketers as limiting the use of advertising,

mandating service to uneconomic segments and establishing pricing policies.

Doren, Smith and Bilgin (1985) state that marketing a service is believed to be dramatically different from marketing a product, due mainly to the nature of the services. The characteristics of differentiating a service from a product can be summarized as follows:

1- Services are relatively intangible. The intangibility pertains to the inability of a service to be seen, felt, tasted or touched. The provider cannot display the service in advance, but must himself fully understand what benefits he can provide as well as know how to present these benefits to potential customers. The customer turns to people he trusts for recommendations. The intangible component makes reputation particularly important for a service (see Van Doren, Smith and Biglin, 1985). According to Bateson (1979), intangibility is the critical goods-services distinction from which all other differences emerge. Services are consumed not possessed. One cannot make a thorough calculation of a service, one cannot examine medical services or travel agent services in the same way that one can kick a tire or squeeze a tomato (Wyckham, Fitzroy and Mandry, 1975). Weyer (1973) comments on the intangibility of a service saying that services are less susceptible to impulse buying.

Median (1986 :45-69) argues that the intangibility of the service leaves new services unprotected by patents and

copyrights, and so imitation by other societies is common

Foxall (1985: 1- 3) states that intangibility has caused some confusion and argument among marketing academics. Donnelly (1980) states that the issue of intangibility and how to deal with it from a marketing strategy viewpoint is rarely discussed in service marketing in general and financial service marketer must "tangibilize" the service, to develop tangible representation of the service, to make a service palpable.

2- Inseparability of production and consumption due to the simultaneous production and consumption that characterizes most services. Whereas goods are first produced then sold, then consumed, services are first sold, then produced and consumed simultaneously.(see Regan,1963). Carmen and Langeard 1980) argue that since the customer must be present during the production of many services (hair-cuts, airplane trips), inseparability "forces the buyer into intimate contact with the production process". Donnelly (1980) argues that Inseparability makes only direct distribution possible in most cases, therefore, location is the only major distribution. According to Gronroos(1978) this causes marketing and production to be highly interactive.(The inseparability characteristic makes the marketer unable to stockpile the service, a service cannot be inventoried, time is a constraint, and time is money for the service provider.(see Doren, Smith and Biglin 1985). According to Lovelock (1984) :

"Unused capacity in a service organization is like a running tap in a sink with no plug, the flow is wasted unless customers are present to receive it".

3- Heterogeneity, that is, the potential for high variability in the performance of services. The service provider is unable to standardize the services. Berry (1984) states that services are often less standardized than goods because services consist solely of acts or processes and exist in time only. According to Berry services are people-based: human tellers differ among themselves in their customer relations, technical skills, personalities, and their attitudes toward work. Bankers cannot paint a smile on a human being. Thus, service quality is more difficult for the customer to evaluate than goods quality. Service quality perceptions result from a comparison of expectations with actual service performance.(see Parasuraman, Zeithaml, and Berry 1985). They also point out that quality evaluations in services are not made solely on the outcome of a service, but also on the process of a service delivery, and on other cues such as price which becomes a pivotal quality indicator in situations where other information is not available. This makes the quality control problem difficult in service, because the level of consistency that you can count on and try to communicate to the customer is not a certain thing.(see Kinsely,1979). Therefore, Shostack (1982) believes that service evidence is at the heart of service image, and people and environment are often essential evidence of a service, therefore, service uniformity is difficult to create and maintain, and to know one's service in any comparable sense is almost impossible and thus , no level of consistency is assured.

According to Friedman & Warren (1987) the perceived image of

a service rests more on the bundle of its components than does the image of a product, and no one physical attribute of the service continues to stand out after the purchase of the offerings.

4- Perishability means that services can not be saved, and demand fluctuates by season, days, hours. For instance, unoccupied hotel rooms, empty seats in an airline, and unused telephone line capacity cannot be reclaimed. Services sometimes are over capacity, and sometimes under capacity but, the service can not be saved for over capacity times. Once the time has passed, the service is lost. Some products have the perishability characteristics, e.g. diary and agricultural products.

5- Lack of ownership. The use of a facility does not mean customer ownership of it, since a customer uses the service and does not possess it .

These main unique characteristics impose several problems on the marketing of services. The literature suggests that each characteristic leads to specific problems for service marketers, and necessitates special strategies for dealing with it. Zeithaml, Parasuraman and Berry (1985) summarize the service features and resulting marketing problems and the suggested marketing strategies for the problems stemming from service features, including references citing features, problems, strategies for services. Figure (5.1) shows a summary of the service characteristics and problems, with the marketing strategies to solve them.

Summary :

One can conclude from the above discussion that service marketing is emphasized because of the importance of service. Christopher (1985) states that over 50% of the GNP of the United Kingdom is derived from the non-manufacturing sector and every year the percentage increases. While Lovelock and Young (1984) state that the service sector accounts for close to two thirds of the GNP in the United States.. Berry (1984) states that perhaps one reason why service marketing received so much less attention than goods marketing has been the problem of definition. Service businesses sell performance, goods business sell things; in a service company everybody is responsible for the customer, and in many service firms, the presence of the customer for the service to be performed is required. Shostack (1977) argues that service marketers urgently require concepts and strategies that are relevant to their actual situations

Employees are internal customers; they make or break most service organization. thus service firms need to practice internal marketing, not just external marketing. Catlin (1984) states that in service business one deals with something that is primarily delivered by people to people. The employees are as much of the service product in the customers mind as any other attribute of that service. Therefore, Catlin believes that marketing in services may be more important than marketing in products.

Figure 5.1 Main Service Characteristics, Problems and Marketing Strategies As Cited By Literature

Characteristic	Problems	Marketing Strategies To Solve Problems
1. Intangibility		
	A-Services cannot be stored.	1. Stress tangible cues.
	B- Cannot protect services through patents.	2. Use personal sources more than non personal source
	C- Can not readily display or communicate services .	3. Simulate word of mouth communication
	D- Prices are difficult to set	4. Create strong organisational image.
		5. Use cost accounting to help set prices .
		6. Engaged in post purchase communications.
2 .Inseperability		
	A. Consumer involved in production	1. Emphasise selection & training of public contact personnel.
	B. Other consumers involved in production.	2. Manage consumers.
	C. Centralized mass production of services difficult.	3. Use multi site location .
3. Heterogeneity .		
	- . Standardization & quality control difficult.	1. Industrialise service.*
		2. Customize service.
4. Perishability		
	- . Services can not be inventoried .	1. Use strategies to cope with fluctuating demand.
		2. Make simultaneous adjustments in demand and capacity to achieve a closer match between the two.

Source :Based on figures 1,2,3, of Zeithaml,V,A.,& Parasuramn,A.,& Berry,L,L. " Problems and Strategies In Services Marketing ." Journal Of Marketing ,Spring , 1985,pp.33-46.

Cox (1985) argues that services are often called "credence purchases" because customers are asked to believe a service marketer's promises, because services are not things rather, the process or act is the product. We say "airline" when we mean "air transportation", we say "movie" but we mean "entertainment service". No one buys a checking account, he buys a want satisfaction, convenience or some other benefit that does the most for him. Thus, a service is only the vehicle for a benefit. Sasser & Arbiet (1976) term a service as a "people business" because there is a high level of interaction between service providers and their customers. This has been termed by Chase (1978) "high contact". Many service operations are termed by Lovelock (1984, p.415) "factory in the field" which customers enter at the specific time that they need the service in question. In situations where the completed service is consumed as it is produced, there has to be direct contact between production and consumption.

The physical display of the service itself is impossible although the outcome can sometimes be shown, and demonstration without rendering a service cannot be offered and accepted (e.g accountancy, medical service). This is due to :

- a- The law of warranty will not apply in most cases.
- b- Samples cannot be made available, and packaging is inapplicable.
- c- There is no patent protection for services.
- d- Risk is involved between expectations from a service and the reality of its delivery.

- e- Variability of speed or quality of a service.
- f- Perceived high cost of services.
- g- Pricing is highly complex in service industry.

Wilson (1984) gives a detailed picture about problems encountered in the service sector. These characteristics and problems made Booms & Bitner (1981) to believe that marketing of services is much more complex than marketing of goods. They propose that marketing strategy of services should be broadened to include modifying the marketing-mix elements to suit service firms by including the following three new Ps :

1- Participants: in the delivery those who influence buyers' perceptions (the firm personnel and other customers in the service environment).

2- Physical evidence: the environment of the service where firm and customer interact, and any tangible commodities which facilitate performance or communication of a service.

3- Process of service assembly: the actual procedures, mechanisms, the flow of activities by which service is delivered. Berry (1986) argues that service companies should consider making the service appear more tangible through a communication strategy that treats the services, to some extent, as goods. Services are numerous, and differ in their nature. In the following section and thereafter, banking service is discussed as one of the main service industries. The history of bank marketing is the subject of the following section.

5.3 History of Bank Marketing:

According to Davies (1973) Egypt was the originator of Giro, Babylon was the birth place of banking well over 3500 years ago, and the Italian banks in the middle ages were the fathers of modern banking. The introduction of marketing into the banking industry is a new concept; It has been noted that marketing was considered to be applicable to goods rather than services. Before the 1950s there was little understanding or regard for marketing. According to Kotler (1979) banks were "production orientated" with concentration on the bank buildings to impress the public. He adds that the bank building was created in the image of a Greek temple designed to impress the public with the banks importance and solidity. The interior was austere and tellers rarely smiled.

Marketing came first to banks in the late 1950s in the form of advertising, promotion and public relations. This was due to increased competition. There was a need to advertise and promote the banking services to attract customers and banks did succeed in attracting customers, but it was difficult for them to maintain and convert them into loyal customers. The advantage of using advertising, promotion and public relations was cancelled by imitation. At that time bankers misunderstood the marketing concept as a management philosophy. Brien & Stafford (1967) argue that much of the banking industry had only confused the very terms "advertising and marketing" with each other, as well as with public relations. There has been a

failure to understand that each is a separate function. Thus, bank management has no real appreciation of the marketing concept. They believe that not only banks but the service industry in general have been rather slow in adopting useful marketing practices.

The 1960s showed new trends and new objectives for the banks when their aim changed from attracting customers to trying to please the customers. Up until that time customers felt unwelcome and shy, and some still say "most banks are cold and banks are for the rich". Grossack (1970) and Levy (1973) argue that customers had no personal friends in banks and there was a tendency to shy away from banks. Therefore, Levy (1975) believes that banks tried to be friendly to overcome their history of austerity and supposed aloofness from ordinary people.

Holquist (1974) argues that this cold, formal unfriendly image which banks presented in the past allowed nonbank financial institutions to capture many customers who might otherwise have been prime customers. Thus, banks start to recognize Person's (1975) belief that the most important customers to any bank are the ones the bank already has". So a new marketing stage evolved, a stage which Berry (1972) calls the "Personalization stage". Banks learned to smile, to promote friendliness of the bank and to redesign for friendly atmosphere. They moved from a production-orientated into a customer-orientated mode. Barton (1965) states that in the 1960s, bank

marketing is only beginning to evolve.

Till the beginning of the 1970s marketing was considered by bankers as degrading, or demeaning. Baker (1977a) believes that:

"It could be naive to ignore that much of the resistance exhibited towards marketing by bankers is a direct result of the negative connections with the word".

Wasem (1972) concludes that selling is considered degrading, and demeaning, and this is the reason for failure to sell, while success of the bank depends, willingly or unwillingly, on selling. Turnbull and Wootton (1980) argue that bankers were not motivated towards marketing due to bad image of the marketing concept; and Branch managers did not lack interest in marketing. But, that they had what Watson (1974) calls a serious misunderstanding of what a marketing approach to financial services implies for them personally. Wasem (1973) gives reasons which led to errors in bank marketing. These include : failure in research, failure in strategy, failure in coordination and failure in communications.

Writers in the first half of the 1970s, believe that most bankers tend to define marketing as a function rather than as a concept or philosophy. Tylor (1975) comments on bank marketing that:

"...It is still defined in a traditional terms-market research, advertising, sales and public relations, while these are marketing support activities".

Knox (1975) goes on to say that most of the the financial

services, especially banks, fail to determine what their business is. They sell their services in a conservative fashion, waiting for business to come to them rather than actively going out and looking for business.

Stanton (1975, p.7) describes the behaviour of banks towards their customers by saying that:

"For many years, commercial banks made a customer feel as if they were doing him a favour by holding his money for him... It never occurred to the banker that he is the buyer".

Sullivan (1981) describes the 1970s by saying that the bank marketing profession changed dramatically, and marketing positions were filled by individuals with more formal education and experience. This decade was complex for bank marketers because of new legislation, electronic funds transfer, automation and increased competition.

Civic mindedness became a corporate responsibility for banks, and personal selling and public relations became more important. In spite of this development, there was still a misunderstanding of the marketing concepts by bankers. Baker (1977a) argues that while many branch managers were prepared to pay lip service to the idea of bank marketing, they found the whole idea of marketing somewhat distasteful and inconsistent with their own self images as professional men. Berry (1975) states that the marketing concept within and outside banking was more frequently preached than practiced. Haas (1974) states that there exists in most full service banks a reluctance

to sell; and the banking industry has traditionally placed more emphasis on the efficiency of its operation than it has on the efficiency of serving its customers. Watson (1974) adds that although many banks are designing and marketing a variety of new banking services, they are proceeding on the basis of limited knowledge concerning customer wants and satisfactions. Weyer (1973) emphasizes the idea that, in financial services, valid research techniques into market selection, market needs and customer attitudes were still undeveloped.

In spite of the fact that the marketing of banking became a widely discussed topic in the British Banking circle in 1970s (see Reekie, 1972), and the overall shift in marketing responsibility in the banking industry upward in the organization. (see Terrence, 1974). Back (1977) argues that branch managers took a conservative view of their function as advisors to small firms. They disliked the marketing approach that they considered was being forced on them. Comments made included "I was not employed as a salesman", "I am anti-marketing and pro-lending", "I won't go for the hard sell".

Banks were urged to become marketing orientated. Watson (1973) notes that this process had just begun. Duncan (1972) sees that the role of the marketing executive in banking had changed from isolation to involvement, and that marketing had started to take a position equal to that of any operating division in today's progressive banks. Choudhury (1978) believes that

the banking industry had lately come to recognize the need to infuse marketing techniques into its operations; and commercial banks started to realize that they face market realities similar to those of a manufacturer or trader .

Al-Hawary (1981) recognizes that the Islamic banks started to introduce the concept of marketing to the field of banking and this made them more positive in their action than before. Wilson (1980) gives the following reasons for the spread of marketing into commercial banks:

- 1- Effective competition from nonbank institutions.
- 2- Threat to profit margins.
- 3- The increased scale of banks.
- 4- International competition.
- 5- The spread of consumerism and social responsibility in business
- 6- Evidence that marketing methods can increase effectiveness.

The innovation stage came in the 1980s. Since customer needs increased, varied services had to be introduced by banks, management started to upgrade marketing as a higher responsibility. In the eighties many writers agree that banks started to recognize the need for marketing and to use the marketing concept. and this is explicitly expressed by Emerson (1983) who says that the days of easy profits are gone and "the environments will be less forgiving of mistakes than before'. Kotler (1984) states that banks are another industry that moved towards more active use of marketing in a relatively

short period of time. Lewis (1986) believes that banks have been forced to become marketing orientated and to some extent the acceptance of the marketing concept and a marketing philosophy has been forced on them. This may be due to the reasons mentioned by Wilson.

Meidan (1983a) believes that staff attitude could be a factor in the slow development of marketing in banks. In the eighties banks started to use the positioning strategy in an attempt to distinguish the bank from competitors, and be the preferred bank to certain segments of the market. Banks tried to create a favourable image for themselves in order to position themselves among competitors. Finegan (1982) defines image as

"a function of a person's impressions and experiences regarding a bank and its services"

While Martineau (195) defines image as :

"the way in which a store is defined in a shopper's mind, partly by its functional qualities and partly by its psychological attributes'.

Anspach (1983) recognizes the importance of planned image to the banking industry. Many customers consider staff attitude as the best guide to the personality of the business, so, banks started to give more emphasis to the selection and training of employees to create a favourable image in the eyes of its customers. Johnson (1969) believes that image creation and reinforcement should be a major marketing activity for banks.

The most pervasive trend in personal banking is the

development of market segmentation to reach the various groups of customers who have different needs and motivations.(see Hile 1986, Oska 1985, Nadel ,1985). In the Arab World, Hassan and Shook (1986) state that with the exception of Syria, Iraq, Libya, and Algeria, market strategy planning based on sophisticated marketing research techniques is becoming acceptable, but effective market research until recently was almost non-existent. Some of the most profitable and aggressive banks in Saudi Arabia, Dubai and Kuwait are concentrating on financial services for women as branches were constructed and organized with considerable success to give an Islamic image.

In Jordan, the importance of bank marketing was recognized by Seminars held in Jordan, the first, a three week seminar about bank marketing in 1977, and by the training program in bank marketing organized by the Jordanian banking Association in September 1987, lectures about customers' attitudes, public relations and communications, modern bank marketing strategy, Bank marketing research, and other related subjects were given to trainees. In general, and in most banks, and because of the influence of consumerism and other social movements, banks like other business firms have to enter into a societal marketing stage. Banks not only started to become customer orientated, but have started to consider the social aspect of their activity.

Social values and beliefs, as well as cultural and religious factors have started to influence banks' activities. New types of banks now exist to cope with cultural and religious beliefs

and Islamic banks are now a days well known in many countries of the World. Alhawari (1981) Comments as follows:

"Islamic banks are not free to do as they please, rather, they have to integrate moral values with economic action... property and hence money are social tools to achieve social goals. The objective of the bank should not be maximization of profit irrespective of the means but rather social benefits maximization. This objective is derived from the principle of socially orientated function of wealth. An Islamic bank should structure itself to serve the community along the lines prescribed by moral values, and the positive and negative teachings of Islam... to be a religious orientated institution, for the good of mankind."

Summary ;

The marketing function appears to be less structured in service companies than in manufacturing firms. Anderson, Cox and Fulcher (1976) state that only recently has the commercial banking industry begun to learn and implement marketing techniques that other industries applied decades ago. Meidan (1984, p.8) states that the seeds of the application of the marketing concept to banking can be related to the American Banking Association Conference of 1958. In the U.S.A, the 1960s was the growth period of retail banking marketing.

In Europe the development of the marketing concept probably came later, Bankers viewed themselves in the business of attracting deposits and capital for the purpose of offering loans

and investment rather than providing clients with a complete set of financial services (see Meidan 1984).

According to Sullivan (1981) each passing decade has seen changes in bank marketing strategy. In the 1950s, strategy was characterized by remodeling facilities to increase lobby traffic, and advertising was generally limited to newspapers. The 1960s saw greater creativity in bank advertising, corporate identity programs became popular, and customer preferences for individualized cheques and cheque books were satisfied by their banks. The late 1960s saw bankers beginning to understand the importance of market segmentation, and banks began using advertising agencies. In the 1970s, the bank marketing profession changed dramatically, and marketing positions were filled by individuals with more formal education and experience. This decade was complex for bank marketers because of new legislation, electronic funds transfer, automation, and increased competition. Civic-mindedness became a corporate responsibility for banks, and personal selling and public relations became more important. In the 1980s banking is destined for more changes, including enlarged interstate banking and enhanced technological systems.

Corporate identity programs will become very important and more money will be put in internal marketing. Till now, the essence of marketing strategy leading to marketing objectives and plans was not fully developed, and marketing in the bank was simply selling related service products (see Andrew ,1985)

Most bankers acknowledge the importance of selling activity

in the marketing of financial services, (see Futrell, Berry and Bowers 1984, Hubbard & associates 1985).

Moubray (1986) argues that banks tend to see themselves as selling products, but customers tend to judge banks by their ability to solve their problems. In general, there is clear evidence that banks are becoming more aware of the need for marketing, because they are facing increasing competition from other financial institutions primarily from building societies. These developments have important implications for marketing bank services. Watson (1984, p.13) states that the overall impression gained from branch management is that marketing has been accepted willingly and with interest, but that finding suitable staff, relevant information and sufficient time is difficult. This is contrary to what Lewis (1985) states, namely, that marketing has been forced on the banking industry. Meidan (1984) believes that marketing has still some way to go before it becomes an essential part of U.K. banking. In some areas they have to follow the U.S. lead, and already are doing so. Moubray (1986) states that despite all the efforts most banks now put into marketing. Kolari, Macdaniel and Mickenzie (1986) argue that banks are adopting more of a marketing orientated posture and are giving consideration to critical marketing activities. They believe that the remainder of the 1980's should be a very significant time period for bank marketing. Figure (5.2) summarizes the changing climate of banking.

Figure 5. 2 The changing climate of banking.

From	To
- Restrained competition	- Increased competition
-Market aggregation	- Market segmentation
- Personalization of service	- Depersonalisation of service
- Consumer ignorance	- Consumer awareness
-Narrow role of regulators	- Broadened role of regulators
- Social passivism	- Social activism.

Source : Adapted from : Reidenbach, R, Eric And Pitts ,
Robert, R. Bank Marketing : A guide To Strategic Planning.

A Reston Book, Prentice Hall, Englewood Cliffs, N.J
(1986) P.23

5.4 Bank Marketing Strategy

This section is devoted to discussing the literature about marketing strategies used in banks. Topics presented are an introduction to bank marketing, market research, strategies, target market, segmentation, marketing mix: bank services, pricing of these services, distribution, and promotional strategies of these services is presented.

5.4.1 Bank Marketing

Banks are unique among other intermediaries, because they are able to create money by using their exclusive right to accept demand deposits. Their essential function is to satisfy simultaneously the portfolio preferences of two types of individuals or firms, borrowers who wish to expand their holdings of real assets beyond the limits of their own net worth, and lenders who wish to hold part or all of their net worth in assets of stable money value with a negligible risk of default, or those who want to hold their money with Islamic banks and share the risk of default. Thus, banking is peculiarly sensitive to general financial and economic developments; many things that happen to the individual bank are understandable only by analysis of the banking system. A banker was once a man who lent money at risk for a profit. He still is, but he is having to learn other skills as the general management of resources, and the marketing of services. (see Weyer,1973)

Meidan (1983) argues that competition from other institutions

makes marketing become increasingly necessary. Kumcu (1985) argues that although, the introduction of the marketing philosophy into the operation of commercial banks has been a long and painful process in many countries, many recognize the importance and benefits of marketing to banks. Day (1986) states that marketing is the best means people have for preparing the environment in which a sale is to take place. Banks have to analyse their offerings in the light of knowledge and judgment of the market place. Marketing becomes the key to their survival, unlocking the door to growth, both their own and that of their community. He adds that banks should recognize marketing as a paramount principle through which they can find their place and stake their claims in the local market. Marketing's prime benefit is that it helps match resources to customers needs, softening and preparing the environment for a sale to take place. For bankers, marketing is seen as having more to do with the management of demand and the techniques of influencing the behaviour of the customers groups with the creative adaptation of the resources of the business to its changing environment. (see Watson,1984).

Banks must grow to survive. Bank marketers need to play a leadership role in helping their banks to grow. Yesterday's approaches will not be enough, strategic newness will be required. Varadarajan and Berry (1983) define the business of banking institutions as not "banking", but as "financial services" which encompass product development and diversification growth strategies. Financial services is a

"market-orientated" definition of the business, while banking is more closely a "product orientated" definition. Thus, a change in attitude is needed. Keys to this change are understanding needs, and marketing. Barton (1965) states that marketing is the tool to learn the real needs of one's customer and to serve them in a way to merit, or to earn a profit. It is a way of life, a way of thinking about the banking business, it is a philosophy of conducting business from the point view of the customer. Barton adds that the marketing process of the bank is very much top management's business, and marketing from its fullest sense is the entire process of gearing the bank's operation to serve customer's needs at a profit; It is the entire banking operation looked at from the view point of the customer. Watson (1973) believes that banks will have to work harder to please the customer, they will have to make his life simpler, more easily understandable, in fact, they will have to become marketed orientated .

Stanton (1981) stresses that a company's marketing effort should start and end with the customers, by identifying and analysing the customers market, then developing a marketing program to reach this market and provide output for customer satisfaction. But Jackson (1985) recognizes that building and maintaining strong, lasting customer ties (even where feasible) is a difficult marketing challenge. Emerson (1983), emphasizes the need to concentrate on the potential customers while they are young. In his words: ``get them young, and they're yours for life". Meidan (1983) believes that once a customer is with a

bank he is unlikely to be easily persuaded to change, except when he moves to a new area. Therefore, small companies deserve greater interest from banks simply, because as they grow, they will become active customers as providers and users of funds. Loong (1986) quotes the following statement by the Bank of credit and Commerce's Far East regional manager about the importance given to customer.

"We are not looking for a quick profit, we are looking for a steady relationship. It's like a restaurant---you must provide service before you can present the bill."

Satisfying a customer is very important to the bank, in order to maintain him and make him a loyal customer. Berry (1975) believes that satisfied customers often become effective "unpaid salesmen" for the product, store, or bank in question with reference to friends and associates. Berry (1982) adds that the first main priority of bank marketing is to attract, maintain and enhance client relationships in order to achieve service usage and loyal customer.

In order to satisfy customers properly, Andrew (1985) emphasizes the need for an attitude shift of considerable magnitude at all levels of staff including senior management to achieve a total understanding of and an absolute commitment towards marketing amongst all senior executive management, then attempt to spread the effort throughout people employed in the bank. This Andrew calls "breadth and depth" of change. He adds, that while people "at the sharp end" did not join the bank to be salesmen, their every day experience was telling them

that new skills were required, better products were essential and a sharper advertising image was prerequisite.

Management should try to satisfy both types of customers, internal as well as external. Elsahn (1984) believes that employees (internal customers) have an effective role in producing and marketing the services, and service firms have to recognize its employees' needs and satisfy them before looking at its customer's needs.

Cheese (1983) states that it is widely accepted now by all the banks that any member of the staff having contact with customers can also have an impact upon the successful sales of that bank's products. Coates (1984) stresses that people who serve the customers require not only systems but also motivation, like customers they too have needs and to make a "sale" the needs of the staff must be satisfied.

Involvement and recognition's policy must be an integral part of any service organization's policy. Davidson (1984) believes that the secret of the success in running a good service business is to recognize that customer contact personnel are the key people in the organization; friendly, polite and well-trained customer contacts are as important as good, sound management. Davidson adds:

"...as a chief executive puts it "in a successful service organization, the organization chart is turned upside down, with the customer contact personnel at the top".

Berry (1984) believes that the eighties in retail banking will be the "decade of the employee". People who buy goods and services in the role of customer, and people who buy jobs in the role of employees are the same. Thus, we can think of internal marketing as "viewing employees as internal customers, viewing jobs as internal products and then endeavoring to offer internal products that satisfy the needs and wants of these internal customers while addressing the objectives of the organization". Berry adds that when banks sell performance provided by people, by satisfying the needs and wants of its internal customers, the bank also upgrades its capability for satisfying the needs and wants of its external customers.

Lovelock (1984) stresses the need to design internal marketing strategies in order to win the understanding and cooperation of employees and intermediaries. He believes that if the needs and concerns of these groups can be identified and addressed, it may be possible to motivate them to behave in ways that will maintain and improve service standards, thereby increasing customer satisfaction.

Berry (1984) believes that the same marketing tools used to attract customers can also serve to attract and retain the best employees, who can be thought of as "internal customers". That is, customers within the service organization. Marketing research, segmentation strategies and communications efforts should be directed toward employees and intermediaries, as well as toward external customers in order to get the former group to deliver the best possible performance and to increase

their productivity. Lovelock (1984) believes that the use of internal marketing strategies is particularly appropriate when significant changes are taking place in how specific services are created and delivered or when new services are being introduced. Thus, the bank has to be interested in the internal marketing in order to achieve customer satisfaction through services provided by those satisfied internal customers (employees). Therefore, Marshall (1985). argues that a fundamental commitment from the banks top management to maximize employee understanding at every stage of service delivery is required to ensure personal commitment to both the spirit and the details of customer orientation.

Sometimes, the satisfaction of all customers needs and wants may not be in the best interest of both customers and the bank. Then, the bank should be prepared to use its managerial skills and marketing tools to dissuade certain customers from using certain services in certain times (i.e. demarketing) in order not to suffer big losses both to the customer and to the bank. Elzubeir (1984). mentions that many customers avoided huge losses by heading up the advice of Faisal Islamic Bank of Sudan to stop operations in one field.

Smith (1984) argues that in order to satisfy customers needs and wants one must know more about customers, and must get a better data base with more information. Thus marketing research is needed.

5.4.2 Market Research

Muir (1970) stresses the need for market research. He believes that plans made and decisions taken in ignorance of customer wants are a snare and a delusion, and for that reason consumer research is a critical function of the marketing organization. Muir states that this research must be carried out at two levels; the first is internal and involves obtaining the opinions of branch managers and staff in direct contact with the public, and analysing available data relating to existing services. The second is external, and requires the employment of impartial investigators. Hardin (1970) states that the development of marketing research by major industry, particularly financial services, resulted from the growth of marketing management and the marketing concept within those companies large enough to sustain this type of management concept. Dellera (1971) focuses on the importance of research to examine in depth the values, outlook, reactions and needs of the thousands of people involved in the new life style around us in order to tap the new markets. Dellera believes that such findings have important implications for planning and formulating of the marketing mix decision in general and developing advertising messages to customers in particular.

Capaldini (1975) argues that in the marketing sense, it is the customer who educates the bank, not the other way around. So market research is needed. Meidan (1986) asserts that the function of marketing research is to provide information that

will assist marketing managers in making decisions. This information involves customer needs, wants, and attitudes concerning perception of bank services, attributes, policies and the like. Meidan (1984) states that the purpose of market research is gathering more knowledge about the market, with this information new services can be developed, and existing ones can be improved, better and more effective advertising and sales promotion programs can be designed in a manner that will be acceptable to the public. Meidan states that market research serves to structure and formalize the communication channel between the market and the bank. He argues that the functions of market research are :

1. market segmentation,
2. evaluation of marketing programs,
3. measurement of results, and,
4. recommendations.

Effective marketing decisions are based on sound information. A marketing information system should be designed to generate and disseminate an orderly flow of information to marketing managers. Nickels (1978) defines marketing information system as:

"a process of gathering, processing, storing and using information to make better marketing decisions and to improve marketing exchange".

Kotler (1984) divides the marketing information system into four subsystems, namely are:

1. The internal accounting system: which reports orders, sales, inventory levels, receivables, payables, and so on. By analysing this information, marketing managers can spot important opportunities and problems.

2. The marketing intelligence system, which provides management with current information about pertinent developments in the marketing environment.

3. The marketing research system: which provides management with data and findings relevant to a specific marketing situation facing the company.

4. The analytical marketing system: which consists of advanced techniques for analysing marketing data and problems.

A modern marketing information system would not be possible without a computer because of the masses of data to be handled.

Scott (1975) believes that the marketing job in a bank must produce profitable growth in deposits and loans and improve bank image. He believes that marketing is a "building job". Its foundation is "hard facts" like hard cement for a building foundation. The "hard fact" ingredients are information and facts about the market, about the competitors and about consumers, plus internal historical information which includes, new accounts opened, accounts closed, monthly service, promotional programs in the past and so on.

Berry (1984) believes that the same marketing tools used to attract customers can also serve to attract and retain the best

employees ,who can be thought of as "internal customers " That is, customers within the service organisation . Marketing research, segmentation strategies and communications effortsshould be directed toward employees and intermediaries ,as well as toward external customers in order to get the former group to deliver the best possible performance and to increase their productivity. Lovelock (1984) believes that the use of internal marketing strategies is particularly appropriate when significant changes are taking place in how specific services are created and delivered or when new services are being introduced. The bank has to be interested in internal marketing in order to achieve customer's satisfaction through services provided by those satisfied internal customers (employees). Therefore, Marshall (1985) argues that a fundamental committment from the banks'top management to maximize employee understanding at every stage of service delivery is requiredto ensure personal committment to both the spirit and the details of consumer orientation .

Sometimes , the satisfaction of all customers' needs and wants may not be in the interest of both customers and the bank. Then , the bank should be prepared to use its managerial skills and marketing tools to dissuade certain customers from using certain services in certain times (i.e demarketing) in order not to suffer big losses by both the customer and the bank . Elzubeir (1984) mentions that many customers avoided huge losses by heading up the advice of Faisal Islamic Bank Of Sudan to stop operationsin one field .

Tull and Hawkins (1984) point out that It is fair to say that every firm has at least some of the elements of a marketing information system, and it is not unusual for a research project to be conducted partially by the internal research department and partly by an external research firm. Thus, Information is needed to help draw up marketing strategies to satisfy customers needs as well as the bank's needs. Smith (1984) argues that in order to satisfy the customers needs and wants , one must know more about the customers , and must get a better data base with more information. Therefore, marketing research is needed.

5.4.3 Bank Marketing Strategies

Meidan (1975) argues that a marketing approach means that institutions must be customer orientated. They must determine the needs of their customers and the ways to satisfy these needs with appropriate services. Marketing approach should also be integrated into personnel training in order to adopt an attitude of placing customers' well- being first on their list of priorities.

Given that managers accept the necessity of the introduction of the marketing concept into their financial companies, the crucial issue as Baker (1977) refers to is how does one translate concept into practice. Clearly the first step must be to find out what people wants .

Increased competition and the onset of deregulation made it

necessary for a bank to determine its target customers. Its strength and weaknesses to find its niche and exploit it. Then, in order to compete in the market, it is necessary to have a marketing strategy. Meidan (1983b) defines bank marketing strategy as:

"a plan for action that determines how a bank can best achieve its goals and objectives in the light of the existing pressures exerted by competition and other uncontrollable variables on one hand and its limited resources on the other".

Meidan adds that strategy is the connecting link between planning and action. Establishment of the bank's objectives calls for planning and formulation of strategies and indicates what the bank hopes to accomplish. Strategies will follow and attempt to suggest how the bank will reach the objectives. Meidan (1983b) divides the bank's marketing objectives into two types:

1. Flexible (short run) objectives which are:
 - a- to increase/ decrease deposits of certain types.
 - b- to increase/ decrease loans of certain types.
 - c- to direct customer to certain types of services.
 - d- to realize return on Investment.
- 2- Fixed (long run) objectives, which are:
 - a- Profitability.
 - b- Increasing market share.
 - c- Developing bank image.
 - d- Minimizing risk.

e- Spreading customer type.

f- increasing range of services to stabilize revenues.

The marketing strategy of the bank requires much thought and careful planning so as to address the constituent segments of the market. Watkins and Wright (1985) state that an account of the competitors' actions and reactions must be part of the marketing strategy. Meidan (1986) determines the main stages in formulating a strategy as follows:

1. assess the firm's strengths and weaknesses.
2. identify competitive and other environmental constraints.
3. formulate long term marketing objectives.
4. select a strategy.
5. allocate marketing resources for strategy implementation via marketing mix elements.
6. evaluate effectiveness of the strategy.

McCarthy (1978) points out how to develop a marketing strategy for a financial institution. He suggests that a marketing strategy involves two related tasks:

1. Selecting a target market or markets in which the company is to operate, and,
2. developing a marketing mix for each target market selected.

Several marketing strategies may be used, but the choice of bank marketing strategy depends on the bank's position in relation to competitors, the bank's objectives, marketing opportunities, potential market target, and the budget available,

Meidan (1986) classifies bank marketing strategies into two types:

1. Growth strategies such as :
 - a- geographical expansion through establishing new branches, EFT (Electronic Fund Teller) points in new additional locations.
 - b- market penetration: aims at attracting new customers to the market where the bank is already in.
 - c- New market strategy: to attract new customers or to replace its segments through marketing mix variables.
2. Competitive marketing strategies such as:
 - a- market leader strategy: to expand and to protect its market share.
 - b- market challenger strategy: challenge the leader, using direct attack by challenging prices, services, innovation.
 - c- market follower strategy: give priority to profitability rather than market share.
 - d- market niche strategy: find and occupy market niches which may be either overlooked or ignored by other banks.

Another classification of bank marketing strategies is also given by Meidan. He classifies it into:

- 1- Offensive strategy: market leader, geographical, and market penetration, challenger. This strategy depends on capitalizing upon existing strong points to improve the attraction or widen the range of the services offered.

2- Defensive: being designed to eliminate weaknesses and cut costs in the present operation of the bank. e.g. follower, nicher. There is a growing interest in this strategy.

Shapiro (1985) points out that one can describe the essence of almost any marketing strategy by presenting the target market segment, and the elements of the marketing mix in brief form. The following is a brief discussion of both target market segment and marketing mix.

5.4.4 Target Market and Segmentation.

The first stage in formulating a marketing strategy is the identification of the target markets and their needs. Seebohm (1971) argues that identifying the target market of the bank is to identify the present and potential future market for its services in order to select which market to serve and try to define customer needs within this market. The head office is the coordinator and the controller, and it must set the targets. Meidan (1983b) points out that the identification of possible market targets have to be developed in relation to the pertinent constraints, particularly economic, environmental, legal and competitive forces that are largely uncontrollable from the bank's view. Thus to identify a target market, examination of the environmental trends, opportunities and threats facing the bank is needed, Meidan states that each potential market selection is examined by the use of the following six "Os":

Occupants: who is the market?

Objects: what does the market buy?

Occasions: when does the market buy?

Organization: who is involved in buying?

Objectives: who does the market buy? and,

Operation: how does the market buy?

Answers to these questions can be attained by research, and the results can be used in the selection of markets for the bank. Many banks have for years designed their promotional efforts to aim at only the very broadest mass markets. This policy has been to utilize a "shotgun" approach in hopes that something in their advertising message would strike a responsive cord with someone, in most cases, banks weren't sure who the someone might be. Haas and Berry (1972) have labelled the tendency to market bank services in this manner as a "blanket approach". The target market of the bank is the customer; the term customer refers to a person who purchases the services of the bank; a customer would be an individual, a business firm, or another bank which uses the services of the bank. Meidan (1983b) states that target customers are similar for all banks, and emphasizes the need for service differentiation and market segmentation to identify and exploit a niche in the market.

Levy (1973) emphasizes the importance of market segmentation to study consumer behaviour. Robertson and Bellenger (1977) state that only recently have banks become aware of using segmentation when appealing to new customers or promoting new services to present customers. Meidan (1984) points out that market segmentation was one of the first

aspects of marketing to be employed in banking. One of the first uses of market research in banking was in market segmentation, an outstanding study investigating the private individual behavior on banking has been published by Anderson & Cox and Flucher (1976). This study shows the use of various statistical methods to assess the segmentation of the market. It involves a determinant attribute analysis of bank selection criteria, and assesses the principal bank selection decisions, it examines the usefulness of these factors as a criterion for market segmentation and design of patronage appeals. Robertson and Bellenger (1977) state that banks cannot treat their retail market as a homogeneous mass, segments exist with significantly different wants, needs and expectations. Thus, banks should segment their markets and develop unique strategies to attract these different segments. Convenience is of primary importance to some segments but not to all. For some groups, integrity and ego enhancement are the most important factors, this allows banks to develop non-locational strategies for these target segments. Majaro (1985) believes that in many situations a company could benefit from having a large market share of a limited segment than a small market share of the total market.

The general notion is that banks should concentrate their marketing efforts to serve a particular segment of the retail market. O'Brien (1982) describes this situation as follows:

"more and more banks are realizing that they can no longer afford to provide every one... many banks are

beginning to concentrate on selected segments to which they can deliver quality products and services on a profitable basis".

O'Brien (1982), Gwin & Lindgren (1982) outline a framework for developing a market segmentation strategy. The general approach is to gather a substantial amount of survey information and to determine with statistical techniques the characteristics of the customer that uses each service of the bank. This information then provides the basis to identify natural clusters of products and customers. The study by Burnett & Chonko (1984) demonstrates the application of this approach. Reynolds & Wells (1978) argue that the employment and better market segmentation is the best strategy to meet the demands of the competitive environment. Shapiro (1973) defines market segmentation as:

"a division of a market into subgroups with similar motivations".

Hans (1982) defines market segmentation as:

"the process of dividing the market into separate and distinct customer groups".

Its purpose is to determine differences among customers which may be consequential in choosing among them or marketing to them. Reidenbach & Pitts (1986) state that market segmentation begins by focusing not only on the product or service offerings, but on the unsatisfied needs and want opportunities that exist on the market place. Thus, market

segmentation is the recognition that a market is composed of different buyers, who have different responses to market offerings. No one approach to the market will satisfy all buyers. Each segment represents a somewhat different opportunity to the organization; market segmentation recognizes that a firm or its product/service offerings cannot be all things to everyone. Reidenbach and Pitts (1986) summarize the benefits of market segmentation to the firm as :

1. Market segmentation allows the strategic marketing planner to prioritize segments, and consequently opportunities, to achieve a differentiated advantage in the market place.

2. It allows the planner to be in a better position to spot opportunities.

- 3 It provides an orientation whereby product/service offerings can be fine-tuned to satisfy the wants and needs of the segments, i.e., products can be developed to match more closely customer needs, usage patterns, and life styles.

4. It identifies and monitors the budgeting task which supports the marketing offerings in a particular segment; allocation of resources can be done more effectively to accomplish specific goals.

Thus, Hensel (1975) is correct in saying that it is through creatively, serving specific market segments whose needs are imperfectly satisfied by mass market offerings, individual marketers can prosper.

Levy (1977) mentions that segmentation was observed to occur not only along the customary lines of demography, but

along practical, emotional, and intellectual lines, a greater insight becomes possible when segmentation is explored along the diverse dimension that life provides. York (1982) recognizes that there is no magic formula for deciding how to segment a market; a particular service can be developed to meet each viable segment. Major basis for segmentation used are:

- a- geographic segmentation:
- b- Demographic segmentation: age, sex, family size, income, occupation, education, religion, social class.
- c- attitudinal
- d- Psychographic segmentation: differentiate along life style.
- e- Behavioral.
- f- others (Retail and corporate market).

Meidan (1984) believes that demographic segmentation is a popular basis for segmentation, since they are often have a strong and significant relationship to bank's sales, and are easier to recognize and measure than most other variables.

Lovelock (1984) emphasizes that the internal employee market should be segmented according to personal concepts, flexible work hours, "cafeteria benefits". Flexible work-hours involve core work hours in which all employees are present (peak) and flexible time. This internal employee segmentation will be helpful to satisfy customers' needs properly. Meidan (1984) argues that it was realized that segmentation studies concerned with packages of services were needed, when it is possible to determine that a homogeneous market exists for a range of

products or services, marketing mix variables can be adjusted to exploit this market.

5.4.5 Marketing mix

Meidan (1986) argues that market research will help to find out the needs and wants of the customer, and identifies various types of customers (segments of the market) and their needs. This enables the firm to develop a suitable product, formulate adequate pricing policies to operate at a profit; conduct the appropriate advertising and promotional campaign; then sell the products and services in branches and other channels of distribution; and finally, research future financial needs of customers to meet future requirements and competition.

Thus, effective marketing management relates directly to the organizational ability to present the right product at the right place and time, and at the right price to the right target market and to communicate this offering to it effectively. Tull and Hawkins (1984) believe that problems in marketing are related to choosing the right product and the appropriate level of price and promotion and selecting and maintaining the right distribution channel.

The marketing mix is a term used to describe a blending of decisions about product/ service, place, promotion and price. Meidan (1984) argues that it must be remembered that those decisions act on each other while they are being mixed together. For example, a decision on price affects a decision on

promotion, thus, those decisions must be evaluated continually, if the total marketing program is to succeed. The development of an appropriate marketing mix implies the recognition of a target market. Since Borden (1965) introduces the concept of the marketing mix in 1962 and McCarthy (1964) popularizes the four Ps in 1964. Magrath (1986) states that marketing plans have incorporated these elements as key building blocks for marketing programs. The four Ps of price, product, place and promotion have become the four gospels of marketing. Magrath adds that marketing plans are usually structured around the traditional four Ps, but when it is service that is being marketed three more Ps, personnel, physical facilities and process management must be added; ignoring these three additional Ps means ignoring elements critical to the marketing of services, since services represent personnel producing intangible deeds or efforts. Without process management, balancing service demand with service supply is extremely difficult. Process management involves the task schedule routines, supervision of activities, packaging and serving. Shapiro (1985) describes the marketing mix as the "tool kit" that marketers use to do their job, it consists of 4 elements, product, pricing, communication (the most visible element of the mix which includes advertising personal selling), and distribution. Shapiro adds that the marketing mix gives executives a way to ensure that all elements of their program are considered in a simple yet disciplined fashion. The marketing mix concept emphasizes the fit of various pieces and

the quality and the size of their interaction. Shapiro believes that there are three degrees of interaction: consistency, integration and an active harmonious interaction among the elements of the mix, e.g., heavy advertising is harmonious with (high selling) price, leverage, whereby each element is used to the best advantage in support of the total mix.

Many checklist and guides featuring different elements of the marketing mix have been proposed. These checklist as Borden (1975) indicates can be long or short, depending on how far one wishes to go on in his classification and sub-classification of the marketing procedures and policies with which marketing management deals when devising marketing programs. Lazer, Culley and Standt (1973) make a threefold classifications, namely, the product and service mix (number of product lines, product planning, development, size, color, price, packaging, warranties, guarantees, branding, labelling, service of each individual products. distribution mix (i.e., channels, activities of physical distribution); and communication mix: (advertising, personal selling, and sales promotion). Frey (1961) uses two dimensions: the offering (i.e., product, package, and so forth), and the tools, e.g., advertising and personal selling). In the broadest term Borden lists the important elements or ingredients that make up the marketing programs, as he distinguishes twelve subdivisions of these elements. These are:

1. Merchandising: which includes product planning.
2. Pricing.

3. Branching.
4. Channels of distribution.
5. Personal selling.
6. Advertising.
7. Promotion.
8. Packaging.
9. Display.
10. Servicing.
11. Physical handling, warehousing, transportation, stock policy.
12. Fact finding and analysis or marketing research.

But, the most widely accepted among marketers is the four Ps (i.e Product, price, place, and promotion, used by McCarthy ,1975, Lipson & Darling,1971, Stanton,1967), among many others.

McIver and Naylor (1980) list six ingredients of marketing mix in financial services which are:

1. Product/service design and packaging;
2. Shop branch design;
3. Pricing;
4. Selling;
5. market communication; and,
6. public relations and merchandising.

Shapiro (1985) argues that several aspects of the total mix really involve combinations of the four elements. These combinations include: promotion, brand, terms and conditions. Promotion includes: short term price cuts (coupon, contest), and

involves price and communications. Brand, often viewed as part of the product, and also a part of communication, can serve as a useful, integrative force to bring product policy and communication closer together. Terms and conditions are closely related to price (terms of payment, credit leasing, delivery schedules). They are close to personal selling, Shapiro emphasizes that the important thing is not necessarily to categorize these issues but to consider them as marketing tools.

In the case of the banking industry, Meidan (1984) states that banks must manage a collection of marketing mixes because they sell a collection of customer satisfying services to diverse target markets. Meidan classifies the marketing mix in banking into two types: marketing mixes to attract funds, and marketing mixes to attract users of funds and services.

The following is a discussion of each of the elements of the marketing mix as related to banks. The four Ps which are widely accepted among marketers as the main elements of the marketing mix are used. Bank product (services) is discussed first, followed by pricing bank services, then the place of bank services under the heading which is labelled branching and location, and finally promoting bank services to end the discussion.

5.4.5.1 Bank Product (services)

Berry (1983) notes that bank services had become known as products. Meidan (1975) states that bank services are classified under financial services. He found that there was a

lack of an agreed definition of financial services or services in general. He defines financial services as:

"activities, benefits, and satisfactions which are offered for sale or provided in connection with the sale of money"

(For more details about financial services see Wilson (1980).

Levy (1973) argues that a consumer views a bank as a clearing house and advisory counsel for him on financial matters, and a place that provides a depository and convenience for money handling. This means that bank services are summarized as offering the service of clearing house, advisory counsel, a place for depositing money, and for problem solving on financial matters. Human beings have certain needs in relation to the money commodity. These needs are met by those who offer financial services including banks. These services are: deposits, savings, loans, advice, transfers, guarantees, letters of credits, leasing, insurance payments and debt settlements, factoring, and investment. Moreover, Islamic banks offer profit and loss sharing schemes. These services offered by banks could be classified into three main categories:

1. The safekeeping services: whereby firms and individuals keep their money & valuables in banks (deposits) for safekeeping, and for the interest they can earn on money if it is kept with conventional banks, or for investment purpose on a profit and loss sharing basis if it is kept with Islamic banks.

2. Lending services provided by conventional banks, or investment service on a profit and loss sharing basis provided

by Islamic banks.

3. Providing a variety of financial and related services including transmission.

One can summarize the service provided by banks as " the business of gathering up and collecting funds from individuals and firms and providing those funds to business".

Stafford and King (1983) describe some of the main characteristics of bank services. They argue that bank services tend to be undifferentiated, they relate to the savings and borrowing facilities, embrace the important characteristics of money security, accessibility and advice. In banking, there is greater emphasis on the performance rather than the production of services. Turnbull (1982) argues that there can be no clear cut differentiation between an international service, a domestic service or an overseas service in banking. Overseas services include the provision in an overseas market of all domestic services that would normally be available through the branch network; it is purchased in the country in which it will be used. A marketing strategy for these services demands that the bank should have a sufficient branch coverage of the overseas market. An international service is a service catering for the needs of international finance which can be obtained in one country for the use in another (e.g, syndicated loans, international banking, foreign exchange, cash management schemes, et). Wilson (1980) finds that many financial services are concerned with the provision of money which is a commodity that almost everybody seems to want. This may be in the form of money for immediate

use (e.g, loans, overdraft, mortgage, hire purchase finance, etc). or money for future use (e.g., insurance, interest, dividends). Wasem (1969) argues that banks are not in the service business. He suggests that although we do not have a market for bank services, we have a market for the service benefits. Several benefits of bank services are cited by authors. Meidan (1986) argues that the bank product is a source of potential satisfactions, or problem solution to prospective customers. Wilson (1980) states that financial services as offered by banks are abstract, intangible, lack brand identity and often relate to general rather than to specific needs. It helps, therefore, if the consumer benefits and the package offered by the bank can be emphasized. Meidan (1984 p.22) argues that most of the bank services are offered in packages, seldom is a single service offered on its own. One bank's service is very much like another. Friedman and Warren (1987) view the service as one of communication, consulting, distribution or engineering in the service business. They suggest that although we do not have a market for bank services, we have a market for the service benefits. Several benefits of bank services are cited by authors. Meidan (1986) argues that the bank product is a source of potential satisfactions, or problem solution to prospective customers. Friedman & Warren (1987) view the service as one of communication, consulting, distribution or engineering. Wilson states that the financial services as offered by banks are abstract, intangible, lack brand identity and often relate to general rather than to specific needs. It

helps ,therefore, if the customer benefits and the package offered by the bank can be emphasised. Meidan (1984, p. 22) argues that most bank services are offered in packages, seldom is a single service is offered on its own . One bank's service is very much like another .

Friedman & Warren (1987) argue that the perceived image of a service rests more on the bundle of its components than does the image of a product. There is no one physical attribute of the service that continues to stand out after the purchase of the offerings. Lovelock (1984) lists the following components of the service marketing system:

1. service personnel (contacts face to face, by mail or telephone) which include sales representatives, operations, customer service, accounting billing.
2. service facilities/equipment, building, vehicles, and other equipment.
3. non-personal communications organization such as letters, brochures, catalogues, advertising etc, and,
4. other people such as: customer encountered during service delivery, word of mouth comments.

Banks market too many services, according to Shankleman (1979) they are in the business of marketing some 250 separate products. Howley and Savage (1980) believe that the principal service offered by banks to their personal customer is the current account, a service which is concerned with the receipt of income and subsequent personal and domestic expenditure.

The current account is of prime importance to the banks. This helps banks to cross-sell, whereby customers, having opened a current account, are "sold" loans, travel facilities, insurance and trustee services, etc.

Financial services are designed to meet related customer needs so that customers often are potential buyers of a range of services from the same service firm. Kilgore (1984) states that "we'll just have to sell everything to everybody".

Bank products have to be designed to meet customers' needs. O'Neill (1963) argues that a knowledge of consumer attitude may provide a sound basis for improving products, redesigning packages, and developing and evaluating promotional programs. Naylor (1975) argues that a bank must be prepared "to tailor a suit" to "fit" a customer, but must also try and ensure that its tailoring is profitable. It is within these constraints that the bank must market its services to match its resources within the needs of its customer. Unlike Kilgore, Smith (1984) argues that banks will have to rethink their old approach of always being all things to all men. Smith adds that bankers believe that the future lies in specialized services to specific market segments. O'Donoghue (1982) states seven stages of life cycle to financial services, each stage of which requires distinct financial services. Therefore, the bank can offer a range of financial services to suit each stage in the life cycle. A bank has to provide a wide range of services, as a customer may require several different services at once. Thus banks must continuously develop their services in terms of the changing

needs of their customers and the changing of their competitors to ascertain where modifications are necessary or new services should be developed.

Naylor (1975) argues that since bank products lack patent protection, they are easily copied. Thus, the cost of adding one new service is frequently lower than the cost of research.. The ease of copying service also adds to the pressure towards a large product line.

Many financial institutions have already begun increasing the breadth of their product lines by offering non-traditional services, providing customers with a greater choice of services. Though Boreham (1983) argues that greater choice of services may result in the customer accepting greater levels of risk himself, financial institutions are moving towards the concept of "financial super markets" in which consumers will have all their financial needs met by one institution. This is a great benefit to consumers. An interesting article about the financial supermarket is written by Tansu and Shan (1985).

Smith (1984) argues that banks have the potential to offer a wide range of financial services based on computer systems. These can be delivered in traditional ways, or through terminals, by these ATMs, point of sale, home banking, or other unmanned terminals. in addition they can choose to offer the service through manned terminals, either at a counter, or in a consulting environment. Thus, technology can be used to produce new services.

Services should be developed by banks, new services introduced, and existing ones improved. Successful marketing now depends on the bankers ability to gain a distinctive position in the market, to establish a meaningful identity for their banks and their product line. Differentiating a bank from its competitors often takes the form of new product development. Offering new products in turn may result in a marketplace perception that a bank is superior to its competitors. According to Meidan (1984) product development strategies open to banks are:

1. The expansion strategy: expansion of services offered with the aim of increased cross-selling.
2. The differentiation strategy: to increase market share in segments at the expense of competitors. This involves dividing the core banking service range into packages of services aiming at choosing market segments.
3. The satellite product strategy: involves the creation of separate stand-alone products marketed independently of the core account, with the aim of generating sales to non-account holders without requiring that these switch or open an account.
4. The "Janus" product strategy: which is an extension of the satellite strategy, in which the same services or packages of services are marketed both as stand alone products to non account holders and as elements of the core banking services for cross-sale to existing customers.

Meidan (1984) believes that product differentiation by the addition of new service is very difficult to achieve because any

service added to the range can be almost immediately copied by competitors; but he later (1986) argues that it is a competitive advantage for any institution to offer a complete package of financial services. Thus banking services can be packaged to fit better the needs of a particular customer. Creative grouping and packaging of services will be vital in meeting the needs of various customer groups. Howcroft & Lavis (1985) assert that the selling of integrated packages of services to a highly segmented customer-base will help banks retain personal contact and reinforce customer loyalty.

The above mentioned product development strategies can be summarized in the suggestion that banks should rely on introducing new services as well as improving existing ones. Thus banks must look carefully at their existing product line and consider how to develop new product/services and product line extensions.

Differentiation, diversification and cross selling methods are frequently used by banks and many other institutions. A variety of nonbank-related services such as taxation services, leasing service, personal family counselling, advice, travel services are offered by banks. Customers for convenience purposes forced financial institutions towards "packages" and integrated services with a greater level of diversification (see Baker & Elsahn 1984). Rose (1985) argues that bankers see new services as offering several benefits such as:

1. opening up new markets and new revenues for growth.

2. reducing earnings risk through diversification of product lines.
3. taking advantages of economies of scale to reduce operating costs.
4. protecting market leadership by positively responding to ever changing customer needs.

Winston & Nilson (1978) claim that institutions need to provide new products which are not only seen as different but are different. Since it is easy for a bank to copy new products especially compared with industrial companies). Rohlwink (1985) points out that a bank can develop a new product without investing resources in research and development over a long period of time and it cannot be stopped by patents from copying other products. He says it is easier for a bank to expand that volume of a product if adequate demand exists since there is no need to invest in manufacturing facilities to increase capacity. The only constraint is the availability of skilled personnel.

Guiltinan and Donnelly (1986) argue that as product lines have expanded, customers are attempting to evaluate the merits of various products in terms of which best meet their financial needs. For bankers, a major issue is which of the products to stress from a marketing perspective.

Varble (1972) believes that changing environmental conditions require a more complete evaluation of new product ideas; new product analysis should include environmental and social factors, as well as the traditional factors of

profitability, sales volume and product line compatibility. Guiltinan & Donnelly note that there are several problems that are becoming more acute as banks expand their product lines to include new deposit instruments and new fee services. As the number of products expands, the time available for developing marketing plans for each individual product usually decreases. Berry & Hensel (1975) point out that nothing seems to take more time, cost more money and involve more executive sleeplessness than does an important new product offering. Meidan (1984, PP:93-94) argues that in spite of the problems that are connected with it, product development serves bank marketing ends by:

1. Attracting customers from outside the present market.
2. Increasing sales to the existing market by increasing cross selling, and attracting core accounts from competitors.
3. Reducing the cost of providing an individual or similar service.

These benefits encourage bankers to engage in new product development. John & Harborne (1985) list the following key activities which are associated with developing new products:

- a- Good contact with the firms market environment, to determine accurately users' requirements.
- b- Good internal cooperation and coordination between engineering (R & D), production and marketing.
- c- Careful planning and control.
- d- Efficient development work.
- e- The will on the part of top management to innovate.

- f- Provision of good after sales service and user education
i.e., active marketing and selling, and
- g- Forming a group of key individuals.

They argue that main phases of the product innovation process are:

1. Initiation phase which includes idea generation and screening out of unsuitable ideas, as well as testing and development of unsuitable ideas in concept.
2. Evaluation phase: which includes financial evaluation of alternative new product concepts.
3. implementation phase which includes product development, proper test marketing and launching.

A more active approach to product innovation should be encouraged by banks. Useful guidelines to top bank management to encourage an active approach to product innovation are given by Johnes and Harborne which could be summarized as follow:

1. Reward ideas for possible new products from all levels of personnel; particular encouragement for ideas which are put forward on the basis of perceived market opportunities.
2. Make it clear that ideas will be screened carefully against corporate objective, and resource constraints.
3. Release resources to develop and test ideas.
4. Analyse in total business terms the commercial viability of ideas which are recommended for final development.
5. Ensure a tightly controlled system for monitoring the development process.

6. stress good communication internally and externally, and accept the need for continuous organizational adaptation to meet turbulent market conditions.

Not all products succeed, even if they were well developed. Berry and Hensel argue that failure of new bank products can be linked to poor marketing rather than to a lack of demand, since inadequate understanding of marketing philosophy and inadequate execution of marketing strategy results in failure. Thus bankers should talk consumer "language instead of banker language", for products to succeed. Bank marketers should visualize new products from the perspective of the consumer.

In order to market such services to various segments, pricing must be addressed. In the following section pricing bank services is discussed.

5.4. 5.2 Pricing Bank Services

The pricing of bank services is another element of the marketing mix. Schoell & Ivy (1982) argue that bank customers do not shop around much between banks for the cheapest rate. In certain highly specialized service fields and perhaps in some aspects of merchant banking, the price of the service is one of the less important aspects. They recognize that though the price has its importance, the emphasis is not so much on price, but very strongly on safety, liquidity and accessibility. Schissel (1977) argues that because the product in many service industries is non-standardized, and decided between the seller and the buyer, bank marketers tend to be flexible in pricing. Although Lawson & Watt (1983) argue that price in banks is not currently a major determinant of bank choice *vis-a-vis* such factors as location, and consumers are not insensitive to price, Berry and Donnelly (1975) argue that pricing strategy when handled unwisely can produce product failure. Metcalfe (1975) argues that banks have neglected the potential of an active pricing strategy; found, namely that customers are willing to pay a price for more convenient service. Watkins and Wright (1985) and, Meidan (1986) recognize that customers are prepared to pay a price for more convenient services. Customers are prepared to pay to have their personal financial services under one roof, and price does not particularly matter. Tansey (1985) argues that few customers would now consider buying a full service "package" without first understanding the pricing

of the individual components. The customer now holds the power, not the bank. Tansey argues that if the market for banking products can be more effectively segmented the opportunity arises to rethink pricing strategy, more and more banks are adopting a systematic approach to marketing their services as competition and pressures on margins increase.

Wilson (1972) argues that the nonexistence of pricing strategies in services in the past stems from the inadequacies of most costing methods for services which still operate by what he calls "the faith, hope and so percent method".

There are several bank services which are offered free, since customers are not yet adjusted to the idea of paying for information from banks. Several bankers state that one of the major problems in introducing new services is customer acceptance. Smith (1984) states that

"Customers are in the habit of going along to their bank to get advice and not having to pay for it" . Since it is said within banks that "all advice is free until it is taken".

Moreover, handling cash is free in many banks, and the banks attitude towards it is, according to Smith, "messy, dirty, labour intensive, and not profitable"..

Wilson (1980) points out that banks tend to avoid interest rate competition, so competition focuses on services rather than on price, with other services being provided freely or below cost. McIver & Naylor (1980) argue that the current

account can be regarded as a low margin or even a loss leader service. Guiltinan (1987) points out that some banks offer special programs in which customers with large certificates of deposits can obtain credit cards at no annual fee, free traveller cheques, and other services.

Landon and Donnelly (1983) recognize that except for the management of loan spread, the pricing of bank services has never really existed. Few bankers know how much it costs them to process a cheque, therefore, generally, prices are determined without regard to cost or customer demand.

Unexplained item "bank charges" on customers statements would cause certain amount of dissonance, Winston & Wilson (1978) state that resentment about bank charges is growing, and there is hostility among customers towards the high cost of existing methods of distributing financial services.

Price represents the only element of the marketing mix that creates revenue. Meidan (1984) points out that pricing objectives for banks are to attract as many customers as possible to the selected segments, and to do this under the most profitable conditions. But banks have not in general viewed price as a marketing tool because bank pricing is frequently subject to government regulation .

Meidan (1984) and Kumcu & Karafokioglu (1985) argue that banking industry is an oligopoly, the banking product is non-standard, hence price tends to be non-standard, and therefore

difficult to communicate to the customer; Meidan suggests that simplified formulas are essential if price is to be used as a marketing tool. Smith (1984) points out that by price valuing services rather than by continuing the present system of cross-subsidization, the market forces will operate freely, and uneconomic services will be withdrawn. Smith adds that Burroughs says that

"generally in banking there will be a strong trend towards explicit pricing"..

Baker (1977) recognizes the importance of the pricing of bank services, and relates that to the growth of consumerism and increased inter-bank competition. He states that the bankers have grasped the nettle and now promote their interest rates, scales of charges, etc., and so increased the importance of price as a marketing element as a basis of competition for customers. Greater emphasis may be anticipated in the future. So, a pricing policy for bank services is needed. And if a new system of pricing has to be introduced, it would, therefore, be desirable if it could be more easily understood by the general populace. Melni & Plaut (1987) argue that recently there has been increasing interest in the pricing of bank loans. There are two main lines of inquiry in the literature, the first deals with the effect of compensating balances on the real interest rate charged for loans, while the second examines the economic rationale for the indexation of loan rates to the prime rate under bank loan commitments. This line of thought analyses conditions under which variable rate loan contracts are

preferred to fixed rate contracts. Variable rate loan contracts are preferred by the bank when the cost of its funds is also variable. Additive risk premium pricing formulas are the most common pricing schemes in loan commitment contracts, because it would provide an inflation edge. Reidenbach & Pitts (1986) point out that bankers are going to have to develop a better understanding of pricing strategies to accomplish certain goals such as: target return, stabilizing, improving market share, and maximizing profit. They point out also that the pricing variable is one of the more complicated marketing variables to understand. Bankers set prices through:

1. bundling: Gultinan (1987) defines bundling as :
the practice of marketing two or more products and/or services in a single package for a special price.

According to Reidenbach and Pitts bundling requires the banker to understand only the total costs of bank services. To insure that the spread on loans is sufficient to cover these costs, some bank products subsidize others.

2. Auction: according to which most banks are able to establish a "prime" price for their services which is then adjusted by such factors as the credit worthiness of the customer, the balances of other accounts the customer has with the bank, and the relationship the bank has or wants to have with the customer. But Reidenbach and Pitts believe that non-price competition will continue to be important in the banking industry.

Berry and Donnelly (1975) mention six considerations in

determining prices, namely:

1. Cost
2. Customer: Knowing the customer, on top of knowing the cost of providing the product, is crucial to the objective of setting the right price, which is different than just setting the price.
3. Competition
4. Consideration of other elements of the marketing mix: the higher the quality, the higher the price.
5. Suppliers of labour, material and funds. Price increase constitutes grounds for higher wages.
6. Government regulation.

Guiltinan (1987) suggests a framework which stresses the importance of developing price bundles within the context of clear strategic marketing objectives and with some analyses of the demand requirements of specific bundling program. The framework developed provides some guidance for the potential use of price bundling by a firm with a broad line of complementary products. He argues that pricing decisions have been dominated by cost based and "follow the leader" considerations even when marketing managers have a key role in the decision making process . Zeithaml & Parasuraman & Berry (1985) find that cost is reported as the dominant basis for pricing in the study of service firms. Smith (1984) points out that banks will try to price services in relation to cost, but this is unlikely to be successful for traditional service. For radically new services , banks will be able to introduce new

pricing structures; Smith adds that pricing strategy has to be carefully considered, but more and more prices will come to be in relation to cost, in technology, cost is the main concern. Banks are forced to look at cost to be competitive, Smith mentions that CAP believes that "Cost and pricing in banking never have been clearly related", and IBM suggests that banks will not discourage cash deposits, but will charge realistically for them. Smith points out that the question of pricing electronic services is not resolved yet. Meidan (1984) points out that the pricing of bank services is not necessarily related to the cost. This is true since there are some problems in setting a price based on the cost. Lawson and Watt (1983) state the following problems:

1. Customers have difficulty evaluating the cost of the service, but people seem prepared to accept the price provided the actual cost is broken down into justifiable items.

2. Banks do not appear to be able to calculate the cost of the service. McDonald & Stromberger (1969) state the reasons why bankers do not know exactly the costs of the various products they are selling as :

1. Services are difficult to describe and measure.
2. Costs are primarily "people" costs (salaries, benefits, bonuses ,pensions, etc); and,
- 3 .People output is much less predictable than machine output; the desired knowledge on the nature of the cost is virtual unobtainable. But whatever pricing method is used, a logical pricing policy for bank services is needed.

Islamic banks price their services in a way which is different from conventional banks. The profit and loss sharing principle is used for both deposits and the three Ms of investment financing (Murabaha, Musharaka, Mudharaba), while fees on services based on cost of each transaction, whatever its value, plus a profit margin is charged. Once services are priced ,they need to be distributed .

5. 4. 5. 3 Distribution of Bank Services (Place)

Distribution of bank service is defined by Berry & Donnelly (1975) as:

"any means of increasing the availability and/or convenience of a service which increases its use or the revenues from its use...is a distribution channel for that service".

They argue that the characteristics of the bank services raise complex problems surrounding distribution of these services:

1.Intangibility: affect promotional program and distribution strategy, it may dictate direct channel of distribution because of the need for personal contact between the buyer and the seller.

2. Inseparability: makes direct sale the only feasible channel of distribution; but banks in some cases have been able to modify the inseparability characteristic by introducing the "credit card" service (i.e., tangible representation of the service).

3. Highly individualized marketing system necessitates the

location of convenient branches.

4. Lack of the need for logistic functions: elimination or reduction of certain marketing functions (storage, transport, inventory) is possible, since banks market intangible products. This has impact on distribution decisions (no middlemen), but severely limits the alternatives available to the bank marketer and often necessitates the use of direct channels of distribution.

5. Client relationship: In order to render bank service, close personal, and professional client relationship must exist. Thus, direct channels may be the only feasible choice.

Distribution channels decision regarding bank services is not easy, because distribution, as Meidan (1986) argues is the most "inflexible", and costly element in terms of time to change.

Meidan (1983c) suggests that the characteristics of bank services necessitate the use of a direct channel of distribution, because banks are dependent on ensuring that the image and the service are attractive. The simultaneous production and distribution of bank service makes direct sale the only feasible channel of distribution because the main concern of the marketer is to make the service available at the right time and place. In addition, the highly individualized marketing system and the lack of special identity of the bank services make direct sale a feasible channel of distribution. Cox & Spies (1982) point out that in the historical banking environment the concept of marketing channel was not particularly relevant, as each bank

produced and sold its own services/products. Valverde (1983) states that today financial institutions are beginning to specialize as manufacturers, wholesalers, or retailers for financial services. Thus, Smith (1984) is right in saying that the recent changes in the financial services industry have affected the way the industry provides services to the customer.

In opposition to Valverde's belief that the financial institutions are beginning to specialize, Rose (1985) argues that banks are becoming the true "department stores" of the financial sector because of the growing financial sophistication of bank services, deregulation, technological revolution, and intense competition, which led to fundamental change in the method of service delivery.

Beason & Jackson (1975) argue that the delivery of most services results from the activities of the people, not products, and a customer chooses a supplier of a service because of his image or impression of the people who will produce and supply the service. Reidenbach & Pitts (1986) argue that consumers do not want or need banks, what consumers need and want is a financial distribution system that is convenient and secure. Soenen (1974) states that research confirms once more that banking is essentially a convenience business. Donnelly (1975) argues that distribution channels for services are believed to be short. Thompson and Little (1985) argue that there is no area of activity in the financial services business that is being quite as

radicalized as the process of delivering need satisfying product offerings to customers on a convenient and cost effective basis. Delivery system changes and innovation have been coming fast and furious in recent years as banks have reached out on a widening geographical basis with a mix of high-tech and high touch techniques. According to Thompson and little "reach out and touch someone" is a timely motto for the many players in the financial services business. Reach out anywhere and anytime, reach out and sell, reach out with the customers ideas about time and place convenience foremost in mind. Reach out and deliver effectively through people, places, plastic and machinery, (i.e, through people, and places which include store fronts, malls, or in the home not just traditional branch offices. We mean by plastic consumers using debit cards, credit cards or the emerging "smart card". By machine, we mean widespread customer access to electronic systems. We mean not just banking, but the capacity to deliver financial services along with entertainment, education, shopping, travel and so on.

Naylor (1975) argues that the methods by which a bank distributes its services depend on three factors: the location of its branches, the location of its customers, and the nature of the services themselves. Each of the three factors have to be considered.

In spite of the fact that most marketing writers generalize that because of the intangible and inseparable nature of services direct sale is the only possible channel for distributing most of them. Donnelly (1976) argues that there exist four

examples of marketing intermediaries in distributing services which are:

1. The retailer who extends a bank's credit to his customer, he is, an intermediary in the distribution of credit.

2. Marketing credit card plans. Banks rely heavily on retailers to assist in encouraging customer to apply for and use the card. Thus, the retailer becomes an intermediary.

3. Employees who encourage other employees to use the service of direct pay deposit. Thus, when an organization agrees to become part of this plan, it becomes an intermediary.

4. New retail banking services through the use of technology.

Ornestien (1972) argues that financial services are distributed through: company single office, branch offices, various kinds of representatives (mobile, specialist agent, independent businesses specializing in the type of money product concerned such as brokers, and general agents who provide other services, such as certain retailers of goods. Ornstien has ignored the role of technology in distributing bank services. Main channels of distribution of financial services are stated by Meidan (1983c) among others. Meidan classifies these channels into direct (branches) and four indirect (bank credit cards, banking by mail, in shop branches, and in touch services). The following is a brief discussion of the literature about the various methods of distributing bank services.

5. 4. 5 .3. 1 Branches

The branches of the bank are very like the field sales forces

of a manufacturing firm, because the local bank branch is the starting point for the marketing of financial services to the customer; it is through the individual branches that customers experience the services of the bank; branches are the outlets through which the bank's policies are administered, its relationship with the customers handled, and market intelligence gathered. For these reasons, Watson (1984) argues that the branch and its management appear to be central to any marketing activity and their attitudes towards marketing a crucial factor in its adoption. In spite of the technological changes that emerged, such as cash dispensers, credit cards and other electronic innovations which make the customer more remote from his branch remains the prime interface with the customer.

These very changes may increase the importance of the branch as a platform for business development and decrease its role as a performance of money transactions. Smith (1984) argues that branches must become sales offices, and this requires a major redirection of the bank thinking, which could take ten years through retraining and revised recruitment criteria. Therefore redirection should start now, and staff must be trained in selling. Meidan (1986) states that the functions of the branch are:

1. A branch offers the appropriate service to the customer.
2. It attracts the customer to the branch.
3. It suggests financial services that should be developed.
4. Its style, layout, and staffing can present an attractive,

credible, reliable, and pleasant business environment, and provides customers with adequate information on other potential services available by displaying leaflets, brochures, posters, and in certain cases visual materials.

Person (1965) argues that the branching power affects the bank's ability to achieve economics of scale, to develop new markets, to lessen concentration of efforts in declining markets, to make funds more mobile geographically, and to compete on a basis of location with other financial institutions. Thus, the branch plays significant role for the bank, the customer, and the community as well. Watson (1974) summarizes the role of the branch as follows:

1. It creates a climate in which the bank's business can prosper, viewing bank marketing as a financial problem solving.
2. It creates opportunities to match the bank's resources with its potential customers' needs.
3. It creates the product itself, in that, until a service has been placed in the context of a particular customer's situation it has no reality.

To open a branch is not an easy decision; in most countries the government (through the Central Bank) controls the opening and closing of bank branches; but once the branch is opened it is not easy to close it, since the act of closing a number of branches may produce a negative image of the bank's financial and business solidity. Reidenbach & Pitts (1986) argue that in general, banks are reluctant to close branches for the following

reasons:

1. There is a feeling that closures reflect poorly on the bank's image of financial strength and loyalty towards the affected community.

2. Not all business of a closing branch may be transferable to other branches of the same bank.

3. Closure involves certain cost including relocation of personnel and transfers of accounts which may not be justified if the losses made by the branch are not severe.

In any event, if the closure of a branch is to be decided on, customers must be informed of the timing of the closure and the locations of the alternative ones. No bank expects all of its branches to be profitable. Branches may be opened in the expectation that they may become profitable as communities grow and or to relieve the pressure on an overburdened branch whose facilities cannot be expanded and/or to present the branch as a socially responsible institution. Meidan (1984) mentions examples of branches devoted especially to the needs of women such as the State National Bank of Maryland which converted a branch and devoted it especially to the needs of women. The Royal Bank of Scotland in the U.K. has a number of branches that operate ladies' staffed branches to serve women customers. Moreover, many of the Islamic banks opened branches or are thinking of opening branches to be devoted especially to the needs of women. Among these banks are the Dubai Islamic Bank, and the Kuwait Finance House opened women branches to serve the women's market segment.

In order to open a branch, considerable resources need to be expended for a long period of time. Therefore, Soenen (1974) argues that the selection of a branch location is paramount for every growing bank, since continued growth of a bank depends on two factors : construction of new branches to tap new markets, and the development of additional services. Many writers have recognized the importance of good locations. Louis (1976) argues that prime locations are as important to banking as they are to Kentucky Fried Chicken. Doyle & Savage (1979) mention that a good site could have twenty times the potential of a poor site.

Stafford and King (1983) argue that the development of new financial services has reduced the apparent need for physical access to a bank, e.g, direct debiting, credit card, service till, dispensers, etc. Thus, the provision of a full range of banking facilities at every branch represented a waste of human and physical resources. Meidan (1983) recognizes the great importance of the location decision to the success of the marketing mix for most banks. Since banks are concerned with customers (retail and corporate) and with the two major dimensions of their activities, they offer a very large variety of financial services and competing for "savings" (deposits) and checking (current) accounts. New services can be initiated by a competitive bank, but a branch location cannot be replicated, and competitors must find alternative sites. Lee (1986) argues that the selection of a branch location is probably the single most important decision in retail banking, One of the main

marketing tools to achieve the banks' objectives to win and keep customers is the availability of services through branches or terminal devices, which is a very important dimension of convenience. Branch location and convenience have been shown to be important factors in the selection of a particular bank. Davidson's (1969) study reveals that 90% of the respondents banked at the branch nearest their home or place of work. Convenience in terms of location was also found to be the single most important factor for selecting a branch (see Meidan, 1976, Calantone & Sawyer, 1978, Stanley, Berry and Danko, 1979, Riggall, 1979, Barrinster, Brown & Dormand, 1980, Lewis, 1982, Martenson, 1985, Ghosh & Craig, 1986 among many others). But Lewis (1982) recognizes the fact that convenient location is the most important factor in the bank selection criteria. Lewis argues that, among those who had not started college, parental influence tended to be more important than location. Pool (1976) also states that five product attributes are determining factors in the customer choice process. Using a factor analysis of ten product attributes revealed that the two underlying product dimensions of convenience and security are the most important factors. Anderson, Cox and Fulcher's (1976) study results indicate that location ranks seven in importance as a decision criterion. This is inconsistent with previous research which shows that location is the most important bank selection criterion such as Bieschlie (1960), Kaufman (1967) Foster (1968), Bowers (1969), Butler (1969), Dupuy (1974), among others.

Dupuy and Kehoe (1976) criticize the study of Anderson, Cox, Fulcher on the basis that the results are "inconsistent" with previous bank selection criteria research in that it tends to "de-emphasize" location as a decision factor. Anderson, & Cox (1977) answer is that location criterion may be important but not yet determinant in the decision process (e.g, security). They add that location was ranked third among the importance scores and only seventh among the determinant scores, and interestingly, "recommendations by friends" ranked eighth in importance, although first in determinacy.

Tan & Chua (1986) indicate that social influences like advice from family members, recommendations from friends, and neighbors, etc., are found to be a stronger influence than other variables in bank selection criteria in the oriental culture where social and family ties are closer. This could indicate a salient feature of the oriental culture, since consumers often perceive banks to be alike in the offerings of services. Moreover, consumers' knowledge about banks is generally low. Thus, the bank customer is very loyal, and it is difficult for the banks to attract new customers from existing residents of a community. Therefore new residents are generally the major source of prospective bank customers.

It is evident from the previous discussion of the literature that location of bank branches is of great importance. Thus a good location strategy gives a firm strategic advantage that competitors may find difficult to duplicate. Studies have to be

done in order to select a good location of a bank branch. One researcher, Littlefield (1968) even has gone so far as to suggest that bank location may never become very scientific. Littlefield's suggestion may be due to the facts that branch locations are controlled by the government in most cases. This is reflected in Gobar's (1972) argument that many bank location studies have been conducted more to convince bank examiners to grant location applications than to assess strategically the quality of the location as a banking office.

Whatever the argument is, the government (Central Bank represented by bank examiners) requires a study for branch location. Bank location studies have to be prepared, and planning for new branch location has to be done in advance of the branch actually opening. Several factors to be considered in locating a branch are cited in the literature.

Locating a new branch is paramount for every bank, since continued growth of a bank depends on the construction of new branches to tap new markets and on the development of additional services.

Generally speaking, branches of any bank should be located where there are customers, i.e, centers of industry, commerce and population, since the starting point for the marketing of financial services to the customer is his local bank branch. Once the branch is located, it is difficult to change the location place, for place is a fixed variable. Branch location has received relatively wide attention in the marketing research literature,

and indeed some useful quantitative techniques have been developed and used for optimal location of bank branches, (see, Soenen,1974, Evans,1979, Olsen & Lord 1979, Kaynak & Yavas, 1985), among many others. Soenen, 1974 suggests four steps to be taken in order to select new bank locations:

1. Defining the trading area. According to Reidenbach & Pitts (1986) trading area characteristics to be examined will generally include income characteristics of population and competitive characteristics.

2. An inquiry into the relevant factors of decision making with respect to bank location (i.e, population, economic, demographic, banking statistics, site attributes)

3. Estimating deposit potential of the bank

4. Profit and Loss and Return on Investment (ROI) are to be defined for decision making, then operational problems are to be studied, such as financial arrangements, selection of bank personnel, and which services will be provided.

The findings of Olsen & Lord (1979) suggest that the market area characteristics of a branch bank office are important determinants of the volume of the banking activity. In addition to factors related to magnitude of employment, retailing and competition in the branch's area. A checklist of the market area population characteristics to be examined for the purpose of branch location is given by Reidenbach & Pitts (1986) who add that more qualitative checklist approaches are generally used to select specific locations for facilities. Thus, quantitative as well as qualitative techniques can be used to select a branch, in

addition to determining location by the use of computer-aided mapping techniques. They argue that branch variables may include a number of measures of the site and facility related factors, such as: retail square footage in the market area, retail sales within the area around the proposed site, specific site characteristics, namely, standing or as part of a shopping center, parking availability, and retail square footage in the branch.

An important aspect of branching strategy is the image projected by each branch. Meidan (1984) states that a uniform image for each branch is desirable on two counts it advertises nationally the bank in question, and second it provides psychological reassurance to the customer that no matter which branch he enters, he is moving into an environment with which he is familiar from his home branch. Meidan adds, branches should be designed to have a uniformity of appeal. Some architectural theme must be adopted, internal layout, ease of entry, parking facilities, the interior design of the bank all can be utilized to create a particular psychological environment for the customer. Meidan argues that bank image retains flexibility within a changing market environment, and that the bank's image is an important non-material asset that should be managed.

Stafford & King (1983) argue that all of the banks have attempted to modernize the interiors of their branches through more welcoming design features within security constraints. They argue that the manifestation of the image of a branch is

important, and it gives psychological reassurance to the customer, especially a prospective customer. Roman (1970) emphasizes the importance of the environment surrounding the bank for its convenience. Roman comments on banks offerings to the public as follows:

"The value of using any bank does not reside wholly in the prestige that it offers or interest rate of banking services that it can deliver, it resides as well in the environment surrounding the institution, the name on it, the surroundings in it, the personal feelings attached to it".

The environment, design, and image of the bank are nothing without the bank staff; the bank manager and his staff are a very important aspect of the bank's image. Dibbs (1974) suggests that the banks must provide more support to the branch manager and delegate greater authority to him. Metcalfe (1975) states that every employee is conceived in the customer's mind as the bank, so this realization is fundamental to the success of the bank. He recognizes the need for uniformity in branch images. Turnbull & Wootton (1981) argue that the branch manager is potentially the most useful person to promote the banks service as a source of marketing information. But they found that a serious misunderstanding of the concept of marketing appeared to exist between branch managers. Many view marketing as a forced activity, although some managers are favorably inclined towards marketing. The majority exhibit strongly critical view points "odious, and irrelevant", "nauseating" "superfluous", "hot air", "an over-rated pastime".

They found that many managers have adverse reaction to the concept of marketing. This may be due to what Baker & Elsahn (1984) argue that branch managers have not perceived their role in promoting and selling the wide range of banking services. Andrew (1985) argues that too much is expected from the overburdened branch manager and his staff, they have a delivery and sales functions and a major administrative jobs to undertake with the books being balanced every evening. He argues that a bank is only as good as its local manager.

Dibbs (1974), and Cheese (1983), among others, find that banks recognize the need to provide sales and marketing training to their branch managers and staff. Andrew (1985) argues that bank staff are in the front line of the customer contact. They are the people with the greatest opportunity to make the ordinary sales or to wreck the chances of doing business. Training on selling skills is now conducted annually, some 3500 managers in the U. K had by the end of 1984 received marketing and selling skills training.

Staff must be motivated. Smith (1984) argues that banks lack experience in motivating large number of staff, which is one of the inherent problems of operating in branches. Smith adds that the task is to make staff into salesmen, educate them to selling, and give them better tools, the tools are knowledge of the customer, and the means to retrieve knowledge from machines.

In spite of the increasing use of technology by the banks,

branches will remain focal points for the personal relationship between the bank and the customer. Smith believes that the branch and its staff will remain the principal point of customer contact. Therefore, and in order to make the bank services available and convenient to the customer, care should be given to the branch location, manager and staff, environment and design.

5. 4 .5. 3. 2 The Use Of Technology

The use of technology in banking is one of the latest variations of the "place" marketing factor. Automatic cash dispensers increase the convenience factor as well as save valuable staff time. The use of technology provides greater service availability, convenience and may increase bank profits by cutting labour costs and generating more new accounts. Banks have the potential to offer a wide range of financial services based on computer system. These services can be delivered in traditional ways, or through terminals by the use of automatic teller machines (ATMs), point of sale, home banking, or other unmanned terminals; in addition, they can choose to offer those services through manned terminals either at a counter, or in a consulting environment (see Smith 1984).

Developments in electronic banking that have recently attracted considerable publicity include the introduction of pay-by-phone services, the expansion of ATMs networks, the advent of ATMs sharing, and the launching of several EFTPOS (Electronic Fund Transfer Point Of Sales) and home banking

systems. The spread of debit cards, whether for ATM transactions or for use in the EFTPOS system has also been a notable development. Vittas (1985) argues that home banking experiments have been more promising, although the development of home banking is still in its infancy. He adds that in electronic banking, the U.S. payment system is lagging behind several European countries. ATMs had been in use in Britain since 1967, and in the U.S.A since 1969, and proved to be a profitable investment for banks in the U.S.A, the U.K, France, Germany and Sweden.(see Smith, 1984:164). Suppliers are not convinced that ATMs have been profitable, and they argue that no bank has proved how ATMs can be compared with a teller when they are offering very different services. In spite of that banks continue to accelerate the pace of installation(see Smith 1984).

Credit Union Magazine (April, 1986: 46-54) reports regarding self-service banking that "ATMs and ATM networks are beginning to mature". ATMs totalled 60,000 in the U.S.A by the end of 1985. ATM use has hit what observers term "the 33% wall", that is, 33% of the public uses the machine, and it is getting harder to increase this percentage. In one survey, it was established that those people most in favour of the plastic cards/ATM facility were the under 30s, and the young are markedly more likely to have a cash dispenser card than older customers.(see Southwood 1986). ATMs have many advantages and benefits to the public (consumers) as well as to the banks. The literature cites the following benefits and advantages:

a- ATMs increase convenience to customers. The need to

enter a bank branch decreases as customers acceptance of ATMs increases. Watkins and Wright, (1985) argue that this widens the catchment area of a branch.

b- ATMs increase personal privacy as well as convenience (see Marshall, 1985).

c- ATMs have been used inside or outside branches to absorb additional customer demand during peak periods or beyond regular bank opening hours, thereby, facilitating bank operation at less cost. Smith (1984: 49) points out the following benefits:

1. ATMs extend bank services. Customers can choose the amount they withdraw, and can cheque their balances when they withdraw money.
2. ATM is a fast, effective information system, with round-the-clock availability.
3. It provides the bank with the control it needs to prevent unauthorized overdrafts.
4. It is a new delivery mode for banks--a technologically based service that customers like and are demanding.

In spite of the benefits of the ATMs, several disadvantages of ATMs are cited in the literature such as:

a- Banks at present operate their ATMs as if they were running small garages, where all facilities are offered at one spot. This can cause problems, for multi-functional ATMs are expensive to buy and to run. If customers seem to require only a few of these functions, the machines are being used wastefully. (see Wichers, 1983).

b- There is an increased danger that the customer will

perceive his bank and banking as becoming depersonalized. The resulting impersonality of financial transactions may lessen the non-rational appeal of a particular bank. Although Watkins and Wright(1985) believe that this impersonalization may reduce branch and banker loyalty. Capaldini (1975) argues that people do not want to lose their individuality as persons. Consumers, he says, tend to regard their financial affairs and status as matters important to their identity and well being and worthy of being personalized. But he points out that on the other hand, transferring operational tasks to computer can be an opportunity to release qualified personnel for financial counselling and so achieve a positive feeling of personalized rather than depersonalized service.

c- PIN code causes considerable problems.(see Smith, 1984: 106).

d- Forcing certain types of consumers (the handicapped and the elderly for example) to use these "non-human tellers" may be dangerous to these customers.(see Reidenbach & Pitts 1986: 234).

e- It is also believed to be more difficult to rectify computer error than human error (see Underhill, 1984).

f- Actual experience with ATMs in the U.S.A has been disappointing. Donnelly (1975) states the following reasons :

- 1-There is no evidence that ATMs actually answers a customer need.
- 2- Unexpectedly high cost.
- 3- Proliferation of implementation and operating problems.

ATMs are unable to sell some services. Smith (1984: 17)

argues that if the customer is to buy banking he must be aware that he is in the presence of a bank, an ATM cannot impart that sense of presence. The ATMs are purely delivery points for "routine services", they do not sell services, nor do they sell loans and credit for which the bank needs some contact with the customer.

J. ATMs are expected to overcome queuing in banking, but experience suggests that they still generate queues.

Donnelly suggests that ATMs should be viewed as what they actually are a new channel of distribution for bank services. They must do more than increase the availability and convenience of the service, they must increase the use of the bank's capacity to provide the service or the revenues generated from the service. He suggests that ATMs, to be effective channels of distribution for bank services, must accomplish all or most of the followings :

- 1- Generate new accounts.
- 2- Increase average balances.
- 3- Reduce labour costs.
- 4- Increase income from service charge if one is used.
- 5- Increase the number of credit card holders and dollar volume of credit card services.
- 6- Enable location flexibility, and
- 7- Increase customer service and maintain existing customers.

Donnelly cites two strategies that could be used to locate

ATMs. Offensive (install them to be the first in the area), or Defensive (respond to a competitor). Many writers emphasize the importance of the location factor of the ATMs. Smith (1984:12) states that ATMs are no longer a marketing weapon. Banks are now looking for a new weapon, and location is the key, Smith quotes the following statement by one banker :

"It is far easier for us to find a position for a remote ATM than to get a good position for a branch".

There is a drive to install ATMs, but banks are not sure they actually want so many. They want services in addition to cash withdrawals and are at present getting confused. Smith (1984: 100) finds that in the past, competitive approaches to the development of ATMs network have focused on the perceived needs of the customer. There has been a drive towards 24 hours availability, and nation wide cash availability, now also global cash availability. A second explosion is coming in the market for ATMs they will be installed in non bank locations, wherever people meet. Meidan (1984 b) argues that there is no reason why ATMs should not in the future be established in satellite areas or remote places away from branch locations. On the other hand, Smith (1984: 99) argues that installing ATMs at remote sites can be a risky investment for an individual bank because adequate usage to justify the installation cannot be guaranteed. Southwood (1986) also believes that it is a disadvantage to locate ATMs outside the branches. He believes that the siting of ATMs outside a branch would deprive the bank of the valuable advantage and promotional space in the prime high street

location, and would also reduce the potential for the "cross-selling" of products to members.

The growth in the teller machines has been used as an indicator of customer acceptance of new delivery systems and as an indicator of the likely take-up of EFTPOS. This is perhaps a dangerous conclusion. Fitzsimons (1986) argues that the level of acceptance is perhaps a result of necessity rather than evidence of customer demand.

The POS systems were expected to develop as a natural outgrowth of ATMs, but consumers resist POS because they do not want to lose the float associated with cheques, while retailers welcome POS if it cuts down on bad cheque losses, and does not slow cheque-out lanes. According to Credit Union Magazine (April 1986), about 14,000 POS terminals exist in the USA by the end of 1985.

The customer using EFTPOS system is a customer of both the retailer and the card issuer (bank). Thus retailer and banker have a common interest in satisfying their mutual customer. In England, the decision to go ahead announced on 31 January 1985 was made jointly by the English and Scottish clearing banks and the Retail Consortium. Problems raised were: who pays, who joins, and which cards can be used. Robinson (1985). Thompson and Little (1985) argue that it was predicted that ATM and POS would become as common as cigarette and soft drink vending machines, with shared rather than individual bank ownership. The rationale for sharing was cost efficiency. Since, then

according to Robinson, the banks have been investing heavily in hardware to improve their ability to deliver services and to extend the range of services they provide to their growing customer base.

EFTPOS are important to retailers as well as to bankers. Thus the effective system depends on the commitment to and active cooperation with each others position. Woodman (1986) argues that it is simply an electronic way for customers to effect over the counter payments in shops. The intention is that it will replace cheques, and deals with all non-cash forms of payments such as credit cards and charge cards including those issued by the retailers themselves. Woodman mentions several benefits for the EFTPOS system, namely:

1. EFTPOS will help retailers to improve the service they provide to their customers. It will cut queues at cash points by eliminating the time taken to write a cheque or fill out a credit voucher.

2. It provides a more convenient way of purchasing, making payments, and eliminating the need to wait for cheques to clear on credit rating to be checked.

3. The trials that have taken place show that customers like EFTPOS. By this, the banks have introduced many people to technology for the first time.

4. It will cause changes in branch banking. It is estimated that 75% of cheques and all credit transactions will transfer to EFTPOS. The obvious outcome will be a reduction of clerical work in the branch bank.

5. It will be introduced in competition with existing forms of payment, thus widening the choice of payment methods. It is the duty of both the banks and the retailers to design the most cost effective system to insure that it is in the interest of the customer to adopt the new method of payment: EFTPOS makes shopping easier for the customer.

In spite of all these benefits of EFTPOS, the decision to adopt this system depends upon both bankers and retailers. Smith (1984:, pp : 208-211) points out the factors promoting and factors retarding EFTPOS. These promoting factors are: avoiding the cash risks, the credit card and the cheque fraud, the cost of cheque clearing, the cash handling costs for retailers. While the factors retarding EFTPOS are: the failure to agree on cost sharing, the lack of industry standards, the loss of float by customers, customer suspicion, and communications difficulty. Thus, reaching decisions on the pricing of EFTPOS, and on how the investment will be shared will dictate when it is implemented and how fast customers accept it Smith adds, EFTPOS could be the cheapest method for banks, but unless it is equally good for the retailer, he would not choose it.

EFTPOS has several advantages to the bank, retailer, and customer. It is in general a quick method of payment; it increases the availability of some bank services; it can distribute some bank services. Every one believes that EFTPOS customers will use plastic cards. EFTPOS would have to be accessed by all types of cards: bank debits cards, fuel cards, store cards supplied by retailers, and credit cards.

Several types of cards are used by banks to distribute bank services. Cards nowadays have become the means to distribute bank services, so it is part of the banks delivery system. Citibank in New York has offered a multi-functional card, designed for electronic use, which can be used as a credit or a debit card as the customer wishes. The new Swedish card is complete: it is a debit card, a credit card, and ATMs card and an international visa card. It can be considered as a customer information system access card. Sim (1981) states different types of cards issued by banks. The card most commonly issued by banks to distribute credit service is the credit card.

He states that the earliest form of credit card might well have been the metal cards issued to important customers of some American companies before the First World War. They were followed in 1924 by cards issued by petrol companies to obviate the need for regular travellers to carry large sums of money with them. The credit card is not more widely used for the payment of goods and services and money transmission in general. The card holder has the benefit of security and convenience.

Inglis (1970) argues that the credit card is one of the keys to the "cashless society" , but even now it is helping to reduce the amount of cash which people feel necessary to carry, thereby diminishing the risk of losses. It has also proven to be a potent instrument in the extension of credit. Warberg & Moser (1971) find that the credit card has grown rapidly in spite of the high

starting costs, theft; delinquencies and seasonal demand. For consumers they offer the convenience of shopping at stores all over the country with only one or two credit cards. For businessmen, they offer the additional sales that results from being able to give credit without the trouble and cost of setting up credit programs for individual customers. According to Inglis , United states banks claim that their surveys have shown that acceptance of bank credit cards can generate 10 percent of a store's sales volume and that 40 percent of this is new business. Moreover, Meidan (1983c) argues that credit cards can provide an enormous amount of information about the purchasing habits of card holders. Such information is usually hard to acquire by normal market research methods particularly when it is linked to financial status.

Fitzpatrick (1976) Findings suggest that profit rates generated by commercial banks credit cards plans appeared to be improving significantly. Net credit and fraud loss rates have apparently declined since 1970. Although small and medium sized banks operated credit cards programs as profitably as larger banks. There is statistical evidence that efficiencies of scale do have a positive influence on bank card profitability.

Murphy & Ott (1977) findings suggest that credit cards are not advantageous to marketers of necessity goods. Ingene & Levy (1982) argue that credit cards cause higher prices and cash customers subsidize credit card customers since every sale for credit costs a factoring fee (the amount the retailer pays a

"factor" to convert credit sales into cash). Smith (1984:60) argues that credit card accounts are not proving to be as profitable as was hoped, and too many customers are taking the advantage of the free credit facilities.

The present problem facing banks is to get the card base to make more frequent use of cards, so reminders are sent, gifts are offered for usage. Users of credit cards use them for different purposes. Mathews and Slocum (1969) find that all users of credit cards have a favorable general attitude toward credit cards. Plummer's (1971) findings suggest that card users perceived cards as providing a convenience over cash in every transaction. In effect, card users say significantly more frequently than nonusers: "I buy many things with a credit card" and they tend to disagree with the statement: "I like to pay cash for everything I buy". Moreover, he finds that the life-style portrait of the card users indicated an active upper socioeconomic, urban life style with many interests outside the home. Both the male and the female users indicated a convenience orientation towards credit cards as a satisfactory cash substitute. Plummer argues that traditional concepts of money (i.e financial transactions should be made in cash) and a conservative orientation towards one's life style may be major barriers to usage of bank cards which marketing and communication should seriously consider. Members in a social class influence patterns of credit cards usage. Convenience and installment use of cards tend to vary by social class. Members of lower classes tend to use their cards more frequently and for

installment financing to purchase durable and necessity goods, while the upper class uses credit cards to purchase luxury goods, or as a means of convenient payment rather than cash. York (1982) presents to some extent the same argument with his finding, that credit cards to the higher income groups are a means of convenience, and not, as they are to the lower income groups - a form of deferred payment. These dimensions should be utilized along with social class and income data as a basis for marketing planning. Credit cards can deliver credit in a very convenient way, therefore they are an important part of the bank's distribution system.

Home banking is another new means of distributing bank services. Home banking allows customers to access banking services in the convenience of their offices, or the comfort of their home. Smith (1984: 37) maintains that banking terminals for noncash functions other than EFTPOS could be installed in retail outlets such as travel agents to complement existing foreign exchange facilities. These possibilities will make remote banking available to most customers. Home banking allows customers to compare services from various banks. It encourages customers to switch between banks. Smith (p.86) argues that home banking has genuine strategic implications for bankers; it threatens the customer base, it threatens profitability, it increases the ability of the customers to manage their own money at the expense of the banks, therefore, banks are reluctant to promote investment in a technology which will diminish their own profitability, and it is worth while for big banks to hold back development in home banking.

This result could reflect the low progress in home banking .

According to Johnson (1986) home banking is progressing slowly because only 15% of nation's homes in the U.S have personal computers required by most systems. He argues that self-service is coming to the financial industry, too. Early arrivals were cash dispensers and ATMs, more recently, voice activated computers are answering members' questions. Home banking and videotex are moving beyond experimental stages, but the latest innovation is interactive video, a touch sensitive computer screen that offers customers account information and financial advice. Interactive information systems can provide information, help make personal choice, explain and market new services. He argues that interactive video may be the latest innovation in financial services.

Thompson and Little (1985) argue that machine banking gains each day greater customer acceptance, and stimulates increased customer use. It is machine banking that erodes still further traditional time and space barriers impeding the delivery of financial services. Smith (1984: 37) argues that technology will be a major tool to improve productivity. She (p.110) adds that the main impact of technology on bank services is that it allows changes in the form of banking. The marketing advantage of technology in banking is that it presents the bank with opportunities to offer functions in new ways, thus creating new services. But an incident of serious fraud will make people reconsider any technology (Smith, p.106). She (p.99) argues that

people are attracted to self-service banking when they want speed of service

Shenkar & Yuchtman-Yaar (1986) argue that one of the primary reasons for choosing a bank-the proximity to a branch-will lose much of its importance with the expansion of electronic banking. Thus, the importance of bank's image as a criterion for preferring a given service will be enhanced. Berry (1986) argues that high tech and high touch offer the real opportunity for service firms. High technology can lower service delivery costs, speed up service delivery, control quality, and free service personnel to provide better and more varied services. High touch capabilities can mean more customized service, superior problem resolution, effective cross selling. Electronic banking makes richer the opportunity to compensate for the depersonalization aspects of technology with superior personalization of service-when it is a banker and not the bank machine that the customer requires. That electronic banking and personal banking are both prominent strategic initiatives in bank marketing today is no coincidence.

Ashworth (1986) argues that ATMs, and new payment technologies like EFTPOS offer the potential for significantly cutting the costs of services and open up opportunities to offer new services and so gain customers' loyalty at the expense of others. Thomas (1986) argues that it seems unlikely that technology of itself can provide a marketing advantage to attract customers away from competitors. The most potent

method of attracting business is undoubtedly still price and cost.

Stafford and King (1983) argue that the benefits of computerization in staff saving have been nullified by continuing expansion of bank services. Staff morale and attitudes and customer loyalty can be adversely affected by down grading of branches. New banking technology will accelerate further bank branch changes to combat competition through the introduction of ATMs, accounts based on a single plastic credit card, the development of EFT and extended hours through lobby banking with machines installed in bank lobbies.

Technology helps exporters and importers to cut down some of the paper work. A report in (Banking World, June 1986) titled "Us Banks Take lead in Electronic Documentation" states that an electronic letter of credit can cut down some of the paper work which is often performed inefficiently, through the use of what is effectively a combined word processing and automated communications package. Moreover, an automated bills of lading registry, through the register, can inform all parties of the location of shipping documents.

Smith (1984 p :53) argues that self-service electronic terminals will offer services which do not require judgment or psychological support. . In spite of Smith's (p.149) finding that a common statement by bankers and suppliers of technology is that banking itself has not been changed significantly by technology, technology has provided convenience to customers,

and solved many problems of money transmission payments. Many of the financial services needed by customers are delivered through technology. Therefore, technology is an important part of the banks' delivery system nowadays, and Islamic banks, like others, could benefit from using it.

5.4.5.3 3 Other channels of distribution

The other channels of distributing bank services and cited by the literature can be summarised as follows :

1- Gathering together under one roof all the financial services a customer may need would increase customer convenience. For example, when people buy a house and need finance and insurance, it may be more convenient for them to find these services available under one roof is convenient to the customer.

2- Expanding service by increasing the availability, convenience, and attractiveness of the service (package service), packages serve as an innovational method of distribution.

3- The use of the post office to facilitate the transfer of funds.

As a result of the use of technology in distributing bank services, the number of branches relative to population served is not likely to expand in the near future. Landon & Donnelly (1983) argue that there may be fewer bank buildings, number of branches may be reduced, but they will be replaced by alternative delivery systems such as ATMs, or mini-branches.

Thus, in a sense, there may be more, not fewer outlets for financial services. There is likely to be considerable change in the way financial services are produced and sold.

In order to distribute financial services to customers effectively, current and potential customers should be informed, stimulated and motivated to buy the bank services, promotional activities are needed to be performed by bank marketers. Promotion variable is the fourth variable of the marketing mix which is under the control of the bank.

5. 4 .5 4 Promotion

The term promotion is used to refer to the use of persuasive information, which in conjunction with other elements of the marketing mix, relates to the target market. Baker (1977b) argues that, by its very nature, promotion is the most visible of the four P's of marketing, and it is not uncommon to find people attaching undue weight to its relative importance by virtue of its visibility.

The objectives of promotion are to inform, persuade, and remind both current as well as potential customers of the product. It is more difficult to achieve in marketing services because the focus is on the benefits rather than on the services. A bank would have to apply different promotional tactics for its services to the varying customers, and according to the objective sought. Kumcu & Karafokiogu (1985) find that the use

of promotion policies by banks in Turkey has been the major component of the business. They argue that savings promotion was successfully applied to attract customers, who traditionally stayed away from banks, refusing to deposit with the bank and to receive any interest due to religious beliefs. Promotional policies were used in Turkey to change intensities for the deposit services and image building.

Since many customers believe that banks' products are similar, banks use promotion to create an image for the bank, and to establish and maintain a distinctive place for itself and its offerings in the market, in order to be successfully positioned. Effective positioning is one of the marketings most critical tasks. Ries & Trout (1972) argue that positioning is not what one does to the product/service, but what one does to the mind of the customer. They argue that positioning is strictly a communication issue. Meidan (1983) states that It is an attempt to distinguish the bank from competitors along real dimensions, in order to be the preferred bank to certain segments of the market. Thus the purpose of positioning is to differentiate the firm and its products/services from competitors. He argues that image building is only part of market positioning. Lovelock (1984) argues that positioning is more than just advertising and promotion, market position can be affected by pricing, distribution, and the product itself which is the core around which all positioning strategies revolve. Timberman (1985) believes that positioning is central to the success or failure of any business venture, to a product or a

service, or a retailer, or a bank. It demands total commitment by top management, successful customer dialogue, the need to change "bank talk" to "human talk" in the dialogue. Reidenbach & Pitts (1986: chapter 5) argue that to make a positioning strategy work, the bank will have to dare to be different, and innovators will win the positioning battle. The position of the bank is one of the major elements in relating the bank and its strategy to the market place. Market positioning aims to help customers to know the differences between competing banks so that they can match themselves to the bank that can be of most value to them. Shostack (1987) argues that advertising and promotion are powerful forces in the positioning process. American Express has repositioned its credit services to women solely through advertising. Midland Bank promotes itself as "the listening bank" with an intensive television advertising campaign. All the U.K.'s major banks identify themselves with symbols or slogans, Lloyds uses "a black horse, Barclays uses "the innovative bank', Nat West uses "the action bank".

The importance of creating a favourable image is recognised by many writers. They believe that potential bank customers have limited personal experience upon which to base their selection of a bank. They may rely on the banks image, image may provide the rationale to customers for having selected a particular bank (e.g Johnson,1969, Wasem,1971, Landor,1973, among others). Levy (1973) argues that good image can be an aid to differentiating the intangible services of one bank from highly similar services of its competitors. Finegan (1982:77)

defines bank image as "a function of a person's impressions and experiences regarding a bank and its services".

An interview with Mr Anderson of Clydsedale Bank, Glasgow, on 28/1/1987, and with Mr Jewell, the marketing manager of the Royal Bank of Scotland in Edinburgh on 10th March 1987, in their offices revealed that Banks do not have a good image. Both administrators interviewed argue that building societies have a better image. Statements by Mr. Anderson are:

"customers view the bank's operation as:

Something I hate in general terms;.... banks are arrogant and cold, and have unfriendly image."

Mr Jewell's statements are:

"The bank's image is not as good as it should be... We are still seen as controllers.The buildings are old. Some customers are a little afraid of banks. We need to be seen as shops, we are about to get in."

Finegan (1982: 52) emphasizes the importance of advertising and public relations policies to develop and create a good image for the banks, not only because the image sells but also because the image is what people want to buy. She (p.71) argues that the image a company has is also important in positioning, segmentation, and developing a marketing strategy. The bank's objectives, target market, and resources should be considered. Watkins and Wright (1985) believe that advertising and other promotional activity can be geared to market in line with customers' requirements, "A high-tech image", a "caring image", an "efficient image", a "high return image" or a "quality service

image" can be stressed if also in line with market research findings of customer needs. (For an interesting reading about image, see Finegan 1982) .

Banks have tried to increase public awareness of their activities through images and symbols and to create a good approachable image. Information is conveyed through several means of promotion, in order to inform customers about the varied bank services, then persuade them to buy them. Existing customers should be persuaded to use new services. McIvor and Naylor (1980) argue that persuasion is a marketing function, since once a customer is with a bank, he is unlikely to be easily persuaded to change unless he moves to a new area. Thus, the target market for gaining new customers is the new resident. Using good promotional strategy is a useful tool to gain new customers for existing services, and persuade existing customers to use new services. Promotion emphasizes satisfaction to be provided, every new customer should be informed about the entire or most relevant services the bank offers, existing customers should be persuaded to use new services and reminded of the existing ones.

Promotion is usually seen as the most widespread effective tool used by banks in marketing their services, because of the intangible nature of services which forces marketers to focus on benefits and to differentiate the service in the customers' mind. Reidenbach and Pitts (1986: 151-152) state that promotion is a generic term for the communications efforts of

the firm which are directed toward achieving the objectives of the marketing strategy. They add that the elements of the promotional strategy are:

1. mass communication which includes advertising, public relations, and sales promotion ,and
2. person to person communication (i.e, personal selling).

They argue, that promotion is what produces added deposits and new loan customers for increased revenues and profitability, through which the position of the firm in the market place and the customer's perception of the firm and product (The firms image and position in the market place') can be established.

The bank marketer must select his or her communication tools from advertising, publicity, sales promotion, and personal sales. While advertising is the best known and most widely used communication tool in bank marketing, Reidenbach & Pitts (p.159) argue that publicity is the more believable communication vehicle, personal sales the most flexible, and sales promotion the most direct means of stimulating desired customer behaviour.

It is clear that Reidenbach and Pitts believe ,like many others ,that the promotional strategy mix consists of advertising, publicity, sales promotion, and personal selling. Petit & McEnally (1985) state that promotion mix is the combination of three elements: personal selling, advertising and sales promotion used to achieve marketing objectives. They

ignore the publicity element, while they maintain that promotion mix is an ill-structured problem for a given level of expenditure, because the tests for determining which mix is best are inadequate or inapplicable. There are five reasons for this:

1. The interchangeability of the promotion tools. They are interchangeable within limits, but there is no certainty about which tool is best for a given promotion task.

2. The synergy among the promotional tools: the combined effect of a set of promotional tools is greater than the effect that these tools would achieve individually.

3. The complexity of the relation between the promotion mix and the marketing mix; promotional tools should support and reinforce marketing objectives in the areas of product, market channel, distribution, price and service.

4. The impact of market forces: The optional promotion mix is affected by the nature of the buying process, the extent and nature of competition and the characteristics of the market, and;

5. The difficulty in applying cost consideration.

Baker (1977) divides promotion into two main elements. media advertising and sales promotion. Most writers classify the promotional activities into four activities: advertising, sales promotion, personal selling, and public relations. The following is a discussion of the literature about each activity as related to banks.

5.4.5.4.1 Advertising

Advertising has emerged as the most important promotion medium for banks. Wright (1972) mentions that advertising is a fascinating element in the marketing mix. The general public as well as practitioners are intrigued by advertising, for there is a certain air of romance surrounding promotional activity. It can be stated that advertising is glamorous. According to Treasure (1975)

"advertising is the public voice of marketing policy, it is a means of controlled communication to bring the necessary information to the wider market persuasively and to demonstrate how bank services can help solve financial problems. Advertising is a non-personal communication directed at target audiences through various media in order to present and promote bank services."

He argues that the role of advertising in banking has been to try to emphasize in a positive way what differences do exist, he notes that the bank's marketing operations tend to create more tangible differences. He describes the movement in advertising content towards featuring bank services to be similar to the brand in packaged goods markets, where the brand works to develop a corporate image and personality, so that a customer's knowledge and experience of the product affects his attitude towards the producer.

Berry and Donnelly (1975:142) argue that advertising is the

most widely used promotional medium in banking industry and is expected to continue as such. According to Berry and Donnelly the objectives of advertising are:

1. Awareness-building.
2. Comprehension: explaining and showing how the product can satisfy the needs.
3. Conviction: inducing the customer to try the bank and/or its products; and;
4. Reassurance: encouraging the customer to make a favourable evaluation of his relationship with the bank and its products.

According to Stafford and King (1983). Banks have become noticeable by their aggressive promotion through increased advertising expenditure, radical changes in style and forms of advertising, and their increasing use of television. Advertising is one of the more used promotional tools in banking, in many cases, a banks entire effort seems to be manifested in its advertising campaign, and it is the most familiar mode of communication for most bank managers. Berry (1983) argues that advertising will continue to be important in bank marketing, but increasingly its role will change to image making and awareness building. In the 1980s, bank selling will come to the force. Berry recognizes that bankers are better at advertising than they are at personal selling.

Varadarajan & Berry (1983) state that to be clever in advertising is no longer sufficient in bank marketing. But the growth of marketing into banking operations has, in fact,

provided the fuel for advertising to be more relevant .

Meidan (1984,p. 68) states that the principal mission of advertising is to help move the customers to a bank, its basic role is to inform, while its intention is to persuade; Through the quality and satisfaction delivered by banking services, customer feelings about the bank itself can be changed.

Advertising could be considered as a powerful tool of communication, through which banks can achieve an attractive image, create awareness, and favourable attitude towards the institution and, its services, persuade potential customers, and make existing customers happy, by the use of bank advertisement (which could be called as a promise of satisfaction to the customers of the bank).

Faulty identification of prospective customers of a product can compound the difficulty of preparing an advertising message. The advertising campaign can have as much effect on employees as it does on customers. To ensure that these effects are positive, managers need to know what they are, and how they operate. Acito and Ford (1980) find that an organization's internal workings and climate can be greatly affected by employee reaction, and they argue that management must recognize that these employee effects exist and take them into account when planning and conducting advertising campaigns.

Raphael (1984) argues that bank advertising can appear

contradictory. On the one hand we encourage customers to use ATMs and bank machines, on the other hand, we want to stress our one-to-one relationship. The biggest problem for banks today is how to maintain that personal relationship and yet offer the technological advertisements. We have to bridge these seemingly conflicting view points. But, through creative use of advertising media, some banks have achieved an attractive image, stressing their friendly or personal services or their status. Advertising campaigns are often combined with such gimmicks as baby photo contests, washing the wind shields of customers' cars, give away offers to new customers, building attractive offices, offering beautiful cheques (i.e, attracting customers by non-price means).

George and Berry (1984: pp. 407-412) argue that goods and services are different, and the advertising of each must reflect these differences, they give six guidelines for services advertising based on its special characteristics. These guidelines are :

1. Advertising to employees: Customers buy the performance of people not the service. Thus the advertiser needs to encourage customers to buy and employees to perform.

2. Capitalizing on word of mouth: The customer is often interested in the opinion of others with previous experience of the service. Thus, featuring the comments of satisfied customers in the advertising itself, or targeting advertising to opinion leaders and satisfied customers (e.g. "If you like our service, please tell a friend, if you don't like it, please tell us").

3. Providing tangible clues: customers perceive service purchase to have higher risk and less pleasant buying experience. Use of tangibles associated with the service offered tends to lower customers' perception of uncertainty and risk taking.

4. Making the service understood through using tangibles, e.g. "you are under the travellers umbrella".

5. Advertising continuity.

6. Promising what is possible.

Several advertising media are used. Meidan (1986 chapter 3) classifies the advertising channels into two types: institutional which includes television, radio, and cinema, and brand advertising which includes posters, magazines, newspapers, and direct mail. Moutinho and Meidan (1989: 22-27) suggest that advertising and promotional phrases could appear on the screen of ATMs, home banking terminals and even on the debit or credit cards.

5.4.5.4.2 Sales promotion

The second promotional tool which is used by banks is the sales promotion which refers to short term incentives to encourage the purchase or sale of a bank service. Sales promotion is most effective when used in conjunction with advertising. Sales promotion is defined by the American Marketing Association as:

"those marketing activities, other than personal selling, advertising, and publicity, that stimulate

customer purchasing and dealer effectiveness such as displays, shows, and exhibitions, demonstration, and various nonrecurring selling efforts not in the ordinary routine, used to move customer into the conviction and ordering stage."

Priestley (1975) argues that it is generally accepted that promotion, e.g. special displays, will tend to have a shorter term effect than main media advertising like T.V., press, and cinema. Berry and Donnelly (1975: 152) state the following reasons for using sales promotion in banking:

1. it is customary in the business.
2. it is a necessary defensive tool
3. competitor does it, and
4. it helps as semi-price competition tool.

They add that it complements advertising and personal selling and is seldom used alone.

Thus, sales promotions include virtually any communication or sales promotion activity not previously included as advertising, publicity or personal selling. Forms of sales promotion are many. Within sales promotion may be found a large range of alternatives designed to attract the attention or remind people of the benefits offered by banks, e.g, leaflets, brochures describing bank services, cheque book covers, holders for statements, folders, stationary, pens, piggy-banks for students, calculators, plastic bags. It might include also book tokens, pictorial cheque books and the provision of special services for groups. Islamic banks could benefit from using

these tools.

Berry & Donnelly (1975: 152) and Reidenbach & Pitts (1986: 156) give the examples of sales promotion such as point of purchase display, demonstration, games, free samples, trading stamps and premiums, coupon offerings, price discounts, contests, booklet giveaway, seminars, and employee incentive programs.

Anderson & Cox III and Fulcher (1976) rank premiums at or near the bottom of the list among the relative importance of the various factors which customers consider in selecting a bank. Dupay & Kehoe (1976) stress the loyalty of the bank customers which may suggest that premium-attracted accounts are permanent ones. Preston, Dwyer & Rudelins (1978) argue that premiums were found to be reasonably effective in gaining and keeping customers. They found that bankers use premiums promotions to achieve a number of objectives:

1. To attract new customer savings (time deposits) and chequing (demand deposits) accounts.
2. To increase the bank market share of savings dollar through increasing the level of deposits in saving accounts and saving certificates.
3. To lower the cost of acquiring new deposits by seeking to avoid direct price competition with other financial institutions.
4. To modify the banks image, and,
5. To obtain deposits quickly when needed by the bank for its loan operation.

They add that a number of bankers reject premium incentives as undignified and expensive.

Baker and Elsahn (1984) state that sales promotion does not receive enough attention from British banks. Meidan (1984 :pp. 79- 80) argues that if promotions are used too frequently and carelessly, the potential buyer may be led to consider whether the banking service is reliable or reasonably priced. To be successful, promotions must relate to a real customer need and they must be large enough to act as an incentive to use the service. Kumcu & Karafokioglu (1985) argue that the relatively expensive promotions included bank's giveaways in the form of cash or house/or apartment lotteries depended on the amount of money deposited.

Reidenbach & Pitt (pp.,1-14) argue that the use of sales promotion in the form of free gifts with the minimum deposits of a specified sum was and to a more limited extent still is, a common practice. Point of purchase displays are as valid for banks as they are for grocery stores. This a momentary marketing tool, a persuasive message that will capture customers interest in moments. Meidan (1984 chapter 3) & Manwaring (1984) recognize the importance of point of purchase displays for banks. The branch (POP) is the last chance for the advertiser to influence the customer through devices, as: permanent display racks, counter cards, window signs, leaflets, posters and other displays. Manwaring (1984) cites the

following principles for high quality POP advertising:

1. The best location is high traffic areas. The teller line POP ads not only sell the bank products but reduce the boredom of the wait in line.
2. The medium is part of the message (good decoration).
3. POP marketing is a numbers game, to present the message as many times as possible in tasteful ways.
4. The headline and the copy must sell: present with a key benefit statement.
5. Nothing is as constant as change itself. Flexibility is essential, movability of fixtures, the easier the poster or a sign to change, the more consistent your promotional message will be.
6. Give the customer something to do: picking up a piece of literature, making a phone call, request an appointment.

Manwaring concludes that the impact of POP advertising in the banking environment, when handled properly, can be profound; in some cases, it far exceeds the effectiveness of TV, radio, magazines or direct mail. It is one of the few areas where minor changes in program and budgets can result in major improvements in banking operating results.

Meidan (1986 chapter 3) argues that POP, bank promotion have been found to be the most effective when accompanied by an advertising campaign and when related to a particular customer segment. Below the line advertising (leaflets, pamphlets and guides) are cheap and could be used with promotion and personal selling.

5.4.5.4.3 Personal Selling

Service characteristics suggest that personal selling is a prime marketing tool for most service firms, and banks are no exception. Berry and Donnelly (1975:157) argue that personal selling is a complex communication process. According to Mainwaring (1975) the experience and past training of banks employees encourages them towards an attitude which places selling in the category of activities described as "not for us". while he believes that personal selling must be the spearhead marketing (i.e., the satisfying of customer needs) in a service industry. Meidan (1984 p. 80) defines personal selling as

"the oral presentation, in a conversation with one or more prospective purchasers, for the purpose of making sales".

Personal selling is the most important element in the communication process of the banking industry. It enables an immediate and interactive relationship between the buyer and the seller; Meidan argues that cultivation of bank customer relationships has the opportunity to win over the buyer. Lovelock (1984: 339--347) states that personal selling may be needed to communicate the rationale for change, motivate employees and intermediaries to accept change, educate and train them in new procedures, respond to questions and resolve problems, and receive feedback for fine tuning. Johnson (1981) gives the following reasons for ignoring the role of personal selling in banking:

1. Bankers consider themselves bankers not sales people. Employees are reluctant to sell, they do not like the idea.

2. Mistaken view of selling: lack of understanding of the role of selling in the marketing mix. Bankers attempted to develop some selling activities called hard sell marketing, an aggressive sales orientated approach which may do more harm than good.

3. Time constraints: lack of time has been used as an excuse for inadequate personal selling in banks.

Baker, Elsahn (1984) argue that banks do not recognize the role of personal selling, while Reidenbach & Pitts (1986 chapter 1) personal selling is relied upon heavily in the banking industry through the use of tellers and customer service representatives. This is an important aspect of bank promotion since it represents a personal interface between the bank and the customer.

Turnbull & Wootton (1981) stress the importance of personal selling. They argue that in spite of the generalized negative image of personal selling, it is essentially still the single most important contact point between an organization and its customers. They argue that the salesman is the promoter, for banking promotional activity in an aggressive form is inappropriate; it must be handled with some diplomacy. The manager is potentially the most useful person to promote the banks service. He is a source of a marketing information. Coates (1983) argues that in a manufacturing business, relatively, few employees are in contact with the customers. In a financial service industry, the picture is quite different. Most of the

staff are working in the marketplace and are in contact with the customers. Indeed, they are also customers. He adds that the only thing which distinguishes bank A from bank B is the level of service provided when the customer is in contact with it. This makes personal contact very important to the bank. Wilson (1984: 188) defines personal contact as :

"attention getting, it obtains and maintains a higher level of concentration and interest than can be achieved by any other method of communication"

He argues that its negative aspect is it is costly, being labour intensive, and of generally the most expensive kind. Customer contact needs selling ability, selling is a learned skill and should be taught. Employees should be familiar with the customer's needs, problems, activities, and the banks policies, position and regulation, and a thorough knowledge of all bank service features and, more important, sales method. So, sales force need to be trained not only in the art of selling, but they must be aware of the services available, and able to explain service benefits clearly. Thus, bank marketing professionals also need to become fluent in the language of banking, not simply the language of bank marketing. White (1983) is right in saying:

"No bank marketer is worth his salt unless he knows banking".

Eanes (1975) emphasizes the importance of training bank staff to be sales people. He argues that many bank executives ignore the simple fundamental principles that are in part responsible for making any sales program work: training

(including product orientation and selling approaches); motivation and a viable system of measurement. He states that every employee in your bank is the bank to the customer he is talking to. When store bank customers are dissatisfied they go elsewhere. It is up to the top management to provide employees with product orientation and selling approaches. Employees are not going to take training programs upon themselves to learn about the bank services. Employees learn through taste, smell, hearing, mostly through sight. The use of audio-visual presentation is helpful. In addition to training, employees need to be motivated through incentives: cash bonus, merchandise, time off from work, and/or through personal recognitions.

Thus, bank staff should be trained to be salesmen, since bankers are by nature not salesmen. Berry and Donnelly (1975:160-171) argue that there are several types of costs for the firm to incur if it does not do training for its sales force. These costs of not training sales force are:

1. Cost of employee turnover;
2. Cost of employee ineffectiveness;
3. Cost of poor customer service; and;
4. Cost of lost business to competitors.

Training and motivation of bank staff helps in creating a bank sales force. This needs time, and patience. Many sources of knowledge are available for training, such as: nonbanking literature on selling, workshops, seminars, courses, studying practices, etc.

Johnson (1981) argues that personal selling is expected to become an essential element of the marketing mix of commercial banks and financial institutions during the next decade for the following reasons :

1. The nature of financial services (the intangibility, variability, interaction with customers) all increases the need for personal selling.
2. The importance of people in the creation of financial services, and;
3. The rapidly changing structure of the financial system.

5 .4 .5 .4. 4 Public Relations

The fourth element of the promotional mix is public relations. The public relation market consists of the customer, the shareholders, government employees, labour market, suppliers, etc. The role of public relation is to communicate with the public, create understanding between groups, create an image which is most acceptable to the buyer, increase sales and care for community affairs. In most banks, very often, it was from a public relation base that the marketing department was initially instigated, and because the bank marketing task is "to sell" security, stability, credibility, trust, pride, good will, public relation will persist in being such a vital component in the marketing mix. (see Metcalfe , 1975: 38).

Bowman (1975) believes that public relations is best thought of as a management technique concerned with an organization as

a whole, having both background and specific relevance to marketing policy and function. It is concerned primarily with communication and mutual understanding and is the responsibility of the entire management of an organization. He argues that the public relations function, among many others, is the guardian of reputation.

Public relations is a continuing process that must be tailor made to the nature and needs of the organization. It helps to prepare the background against which the marketing operation can function profitably, as well as, offering a communication aid to which marketing can turn for help.

Short (1980) argues that the banks maintain sizable public relations departments devoted to publication, press relations and routine sponsorship. Thus three main elements of public relations are used: publicity, press relations, and sponsorship. Meidan (1984: 83- 86) argues that publicity is the least controllable element of the communication mix, since it is the media who will tend to decide what is news worthy. It is part of a larger concept, that of public relations, and it is a tool that is relatively under-utilized by banks in relation to the real contribution it can make. It gains advantage over advertising for which a low budget is required.

Reidenbach and Pitts (1986: 151-152) state that the effective use of public relations can be a major factor in a banks image in the community. Publicity is the form of promotional activity of securing free advertising and public awareness. It includes all

communication activities for which the bank does not pay. In banking, newspaper reports give various types of information about the banks. Meidan (1984:24) and Reidenbach and Pitts (1986) argue that it is extremely important to the bank, both as a part of a particular promotional campaign and as a component of the bank's overall promotional and positioning strategy. Reidenbach and Pitts add that many firms spend a considerable amount of time and money in planning and managing their publicity even though it is by definition "free". Publicity may be classified under the broad headings of "information releases", "special events" sponsored by the firm, or "participation in news worthy activities".

Press relations is another significant factor in the marketing of financial services. Short (1980) says that it is the marketing of the banks which creates the interest for popular financial journalism.

Sponsorship is the most significant element in the marketing of financial services, usually, sponsoring of sports and of the arts. Baker (1977a) believes that sponsorship is a form of advertising. He argues that sponsorship of some sporting occasions or events by banks still accounts for a trivial proportion of most advertising budgets. Meidan (1984: 83-86): argues that the justification for that is strongest where by sponsoring an event the bank achieves three things:-

1. An opportunity to advertise its name via posters in the sports area, for example.
2. Free publicity since sport sponsorship obtain free TV

coverage; and,

3. An impression of social responsibility.

Short (1980) argues that sponsorship has come to be a significant marketing tool for leading banks, the motive is keeping the name before the public and especially before a particular age, income and social group.

5.4 .5.4. 5 Other promotional means

There are some other promotional means which are used by banks, but could be classified under one or two of the preceding promotional means. Examples of these other means are:

1. Educational seminars: Gee (1975) argues that reaching the women's market through educational seminars is a new concept that will be gaining importance. Educational seminars supported by public relations, publicity and advertising are used by Chemical Bank of U.S.A. to achieve its objectives.

2. Direct Mail: Banks rely on direct mail and statement promotion as a cheaper means to increase customer awareness as well as cross selling most of the banking services. Direct mail gives the bank more opportunity to explain its products than press advertising. Ornstien (1972) suggests that mailing to credit-worthy customers could be very productive, such as a "welcome letter" when the contract is first approved, informing the customer of the facilities of the firm, and a "note" when the contract is drawing to a close suggesting direct negotiation for the next transaction. Eirinberg (1976) believes that direct mail,

requires economy in words and always necessitates pictures. However, economy does not have to be applied as stringently as in press advertising. Moreover, it is possible to separate physically the elements of the direct mail mix, the message, the offer, and the accompanying material, such as a giveaway, reply envelope, or cards. Because banks have many services which are unknown to the customers, bank's advertising focuses on the main services, while direct mail can play an important role in selling additional services. In summary, direct mail can be of great value to banks, and to service firms to explain their services and their benefits to customers and encourage them to use these services. All this can be done through direct mail at a relatively low cost.

Once a bank customer has a current account it should not be difficult to trade him up to other services through several means including direct mail, especially brochures describing benefits to customers. The customer, through reviewing brochures, can find other services which may be of interest. It is of great importance to the bank to have his every customer utilizing many services offered by the bank, since the one-service customer is likely to switch relationships, if, for example, a competitor establishes a branch closer to his home. This is not, so likely case if the customer has many relationships with the bank.

1. Customer relationship: It is essential and in the interest of both the bank and the customer to build a good relationship, in order to forestall customers being attracted away to other

banks. It is the customer's interest to build up a relationship with a particular bank because he can usually obtain better advice from a bank which has known his personal situation and business activities for a long time. It is also easier for him to obtain loans, and receive support during difficult economic conditions. Thus, the development of a new customer relationship will provide, according to Rohlwink (1985), a more permanent gain, because the customer relationship is more stable. Relationships with customers are very important since customers are potential buyers of a range of services from the same service firm. Guiltinan (1987) argues that service marketers have increasingly accepted the notion of "relationship management" and "systems selling"; He believes that efforts to broaden a firm's relationship with its customers are keys to marketing effectiveness in the service sector.

To build good relationship with the customer, some banks (e.g. Barclays) introduced what is called "money doctor system" where each customer is delegated to a staff member for all his financial affairs. This makes customer feel that he is important to the bank, and that the bank staff member is using all his efforts to serve him. Moreover, the bank statement can build relationships with the bank. For customers who do not visit the branch, the statement is the bank. Butler (1986) argues that the relationship statement represents one of the most powerful incentives for building relationships and building more value on them. The statement takes on special importance as a marketing tool for banks in implementing relationship banking strategies.

It assumes a pivotal role in presenting the benefits of a broader relationship from the customer's point of view, providing tangible proof of the benefits of banking at one bank, his bank. Based on the above benefits, the bank statement, can be used as a promotional tool in addition as other promotional tools.

5. 4. 5 Summary

The section just completed is devoted to discussing literature about marketing strategies used by banks. It presents an introduction to bank marketing, and notes how marketing was introduced to banks as a need to satisfy customers. An attitudinal shift was needed to recognize that satisfying customers is very important to bankers. Bank management needs to satisfy both types of customers: external as well as internal customers (employees). There is a need to recognize that contact personnel are the key people in the organization, that is, internal marketing strategies are to be stressed as external ones. Then market research is discussed in order to ascertain customers' needs through different research methods, recognizing that it is the customer who educates the bank and not the other way round. The functions of market research are market segmentation, evaluation of marketing programs, measurement of results, and recommendations. Then bank marketing strategies are discussed. The objectives of banks both long and short^{term} are mentioned as the basis for formulating strategies, strategies which follow what the bank hopes to accomplish. An attempt to suggest how the bank will reach objectives is made. The main stages in formulating a strategy

are mentioned. Types of bank marketing strategies: growth and competitive types are discussed, as well as offensive and defensive classification of marketing strategies. How to develop a marketing strategy for a financial institution is presented.

Target market and segmentation is discussed, since the general notion is that banks should concentrate their efforts to serve a particular segment of the market. The employment of market segmentation is the best strategy to meet the demands of the competitive environment and several means of segmentation are discussed.

Marketing mix is discussed, and different opinions of marketing mix are presented. The mix might be very short, composed of two or three elements, or very long; but the widely accepted marketing mix is the four Ps (product, price, place, promotion). Detailed discussion of the literature about the components of the marketing mix is presented; then each of the four Ps discussed thoroughly, starting with bank products (services), definition of the financial services and types of bank services. Bank services can be defined as gathering up and collecting funds from different sources and providing these funds to users of these funds. International, domestic, overseas services are presented. Benefits, components of services characteristics of bank service, product development strategies are discussed. Differentiation, diversification and cross selling methods are stressed, followed by a discussion of product lines and variety of services provided, problems and benefits of

product development, how to encourage new products, product innovation process, and why new products fail.

Different views on pricing of bank services are presented. Bank customers do not shop around for pricing. Some writers argue that pricing bank services is one of the less important aspects of banking. Bank marketers tend to be flexible in pricing, and price is not a major determinant of bank choice. The literature suggests the need for banks to rethink pricing strategy.

Problems of pricing are discussed. It was found that some services are offered free, customers are in the habit of going to the bank and get advice and not having to pay for it. Some writers suggest the need for a simplified formulae if price is to be used as a marketing tool. Explicit pricing is believed by some writers to be used in banking; others argue that pricing is one of the more complicated variables of marketing to understand. Competition, and customerism were reasons behind the feeling of the importance of pricing. Bundling, and auction pricing are discussed with consideration in pricing determination such as cost, customer, competition. Other marketing mix elements are presented, problems of setting price based on cost are discussed, and the literature suggests the need for pricing policy. Moreover, Islamic bank pricing policy is discussed, which is based on the profit and loss sharing principle applied to both target market i.e, suppliers of funds (depositors) and users of funds (investors.)

Then the third element of the marketing mix is considered namely place or distribution of bank services. Distribution is defined as:

" any means of increasing the availability and/or convenience of a service which increase its use or the revenues from its use."

Problems of distributing bank services due to its characteristics are presented. The literature suggests that the characteristics of bank services necessitate direct channels of distribution. Different delivery methods are considered: branches, their importance, functions, benefits, opening and closing of branches, and the positive as well as negative effect of branches on a banks image are discussed. The importance of branch location as a determinant factor in bank choice criteria, and the different views in this respect are discussed, followed by location for branches, methods used to locate a branch, branch image, branch staff, and training on sales methods for staff.

The use of technology as a delivery system is discussed. ATMs and electronic banking, self service banking, benefits of ATMs, advantages, disadvantages are presented. The literature suggests that ATMs should be viewed as a new channel of distribution for bank services.

EFTPOS system is discussed; its importance to customers, retailers, and banks. Factors promoting and factors retarding EFTPOS are listed. Plastic cards to distribute bank services are

emphasized. Credit cards and their benefits to banks, customers, marketers of goods, and how to encourage customers to use them are presented. Home banking is another new means of distributing bank service and, its advantages and disadvantages are presented.

Other technological means of distributing bank services are discussed such as voice-activated computers, self-service banking, interactive video, a touch sensitive computer screen. Benefits and disadvantages of computerization are compared, and the effect of technology on branching is also presented.

Promotion as the fourth element of the marketing mix is discussed. The term promotion refers to the use of persuasive information which, in conjunction with other elements of the marketing mix, relates to the target market. It is the most visible of the four Ps of marketing. Objectives of promotion are to inform, persuade and remind customers-difficult to achieve in service marketing. Promotion is used by banks to create an image for the bank and a good position in the market, so image and positioning strategies are taken up next. Promotion strategy, elements of promotion strategies are presented including advertising, personal selling, sales promotion and public relations. The literature suggests that advertising is the most important element of promotion mix for banks, and it will continue to be important in bank marketing. Bankers are better at advertising than at personal selling.

The principle mission of advertising is to help move the

customer to the bank. Advertising can be considered as a powerful tool of communication. The effect of advertising on banks, customers, and employees is presented. Building awareness, comprehension, conviction and reassurance are the objectives of advertising. Special guidelines for service advertising are presented. Advertising media is discussed.

The importance of the second element of the promotional mix, is presented. Baker and Elshah (1984) argue that sales promotion does not receive enough attention from British banks. The reason for using sales promotion in banking are presented. Sales promotion is seldom used alone. Sales promotion is defined as those marketing activities, other than personal selling, advertising and publicity, that stimulate customer purchasing and dealer effectiveness such as displays, shows, exhibitions, demonstrations, and various non recurring selling efforts that in the ordinary routine are used to move customers into the conviction and ordering stage.

Forms of sales promotion are mentioned with displays and POP advertising premiums, and premiums objectives and why some bankers reject the use of premiums are discussed.

Personal selling: literature suggests that personal selling is a prime marketing tool for most service firms and banks are no exception. Although it is a complex communication process, Meidan's definition of personal selling is stressed, which states that personal selling is oral presentation in a conversation with one or more prospective purchasers, for the purpose of making

sales. Also considered is the need for personal selling, and why banks ignore the role of personal selling due to their negative attitude towards selling, and seeing themselves as bankers and not sales people. However, the literature stresses the importance of personal selling as the most important contact point between the organization and its customers. Personal contact is highly needed in service firms, and this requires selling ability, and training.

Bank staffs need , through motivation , training, which will help to create a bank sales force. This needs time and patience. The literature suggests that personal selling is expected to become an essential element in the marketing mix of banks and financial institutions during the next decade. The ultimate cost of not training sales force is also presented.

Public relations as the fourth element of the promotional mix is discussed regarding its role to communicate with the public, to create understanding, and image, and to increase sales. The literature suggests that public relation will persist to be a vital component of the marketing mix and the effective use of public relations can be a major factor in a bank's image in the community.(Capaldini, 1975)

Publicity is extremely important to the bank as part of the promotional campaign and positioning strategy. Many firms spend considerable amount of time and money in planning and managing their publicity even though it is by definition free. The literature argues that publicity is under-utilized by banks in

relation to the real contribution it can make.

Sponsorship helps banks advertise their names, as well as provide free publicity, and create an image of social responsibility. However, the literature notes that sponsorship by banks accounts for only a trivial proportion of most advertising budgets.

Other means of promotion are discussed such as educational seminars, direct mail, customer relationship, and bank statements.

In conclusion, banks must attract raw material in the form of deposits (supply of funds) before they can use these funds. Thus banks have to adopt two marketing programs to achieve their ultimate objectives:

1. Develop a marketing program to attract suppliers of funds (depositors) to invest their money with the bank, a program that must communicate an image of safety, trust, ease of withdrawals, and high return on investment.

2. Develop a marketing mix for selling their services to the final target market (users of funds and services), e.g. business firms, entrepreneurs, and other investors. Thus, Baker and Elsahn are right to say that banks need, more than most firms, to rely on sound marketing and must develop marketing mixes in order to attract users as well as suppliers of funds and services.

This chapter has been devoted to review the literature about bank marketing, while the following chapter is devoted to explain the research design and methodology used in the field work.

Chapter Six

Research design and Methodology

6.Introduction:

The methodological procedures used to undertake the study must be determined before the starting of the field work stage and the analysis of data. The purpose of this chapter is to explain the methods used by the researcher to undertake the study. These include:

1. The identification of the research problem and the main objectives of the study.
- II. The Identification of the population and the sample
- III. The Development of the research instruments
- IV. The Administrative communications and interviews
- v. The pilot study
- VI. The field work
- VII. The statistical analysis

The following is a discussion of each of the above mentioned procedures

6.1 Identification of the research problem and the main objectives of the study.

Two types of banks are being operating in Jordan, conventional banks, and Islamic banks. Islamic banks are newly

established. Two main segments of the market were waiting for the establishments of the Islamic banks (a) the banking segment (i.e. those who were having the banking habit were dealing with other banks because the other alternative, did not exist), (b) and the non-banking segment: those who were not dealing with banks at all for religious and social reasons, and perceived banks as "selling usurious services". Islamic banks in Jordan have invaded the large non-banking market and gained part of the banking one.

The introduction of the marketing concept into the banking industry has been one of the major areas of research in the last three decades. A considerable amount of research has been undertaken to investigate the acceptance and implementation of the marketing concept by banks in the Western countries. Very few studies, if any, have been undertaken regarding bank marketing in the developing countries.

The Jordanian banking system has limited application and introduction of marketing. No one bank has a specialized marketing department whether conventional banks or Islamic banks. In Jordan, as well as other Muslim countries there is limited application of Islamic economies in general and Islamic banking in particular and several unique problems have risen (Abdelmagid, 1981). Only two seminars about bank marketing were conducted in Jordan in 1977, and 1987. The first one was held before the establishment of Islamic banks in Jordan, while Islamic banks participation in the second one was neglected.

Thus, the acceptance and application of the marketing concept by Islamic banks in Jordan presents a rewarding area of study.

A major objective of this research study is the clarification and analysis of the attitudes of Islamic banks in Jordan towards the marketing concept as reflected by the opinion of their senior executives and branch managers towards the marketing concept, in addition to the clarification and analysis of the customers perceptions and opinions towards Islamic banks marketing strategies. Hence, the objectives of this study can be summarized as:

1. To determine the extent to which Islamic banks managers understand the marketing concept.

2. To determine how important the marketing concept is considered by Islamic bank managers.

3. To determine how Islamic banks managers in Jordan best describe their banks. and their opinions regarding the areas of differences between Islamic banks and conventional banks.

4. To determine the most important banking goals as perceived by Islamic banks in Jordan.

5. To determine the attitudes of Islamic banks managers towards the facets of the marketing concept (i.e. customer orientation, profit orientation, the integration of the marketing activities, and social orientation).

6. To determine the Islamic banks managers' opinions towards the marketing strategies as reflected by the marketing mix (bank's products (services), place (branches), pricing, and promotion).

7. To develop a basis for marketing strategies for Islamic banks in Jordan through examining the following areas:

a- The classification of Islamic bank customers according to the main two segments mentioned above, namely banking and a non banking segment before dealing with Islamic banks.

b- To determine the type of services used by Islamic banks' customers whether offered by the Islamic banks or by other banks.

c- To determine the factors Islamic banks' customers consider in choosing to bank with their Islamic banks.

d- To determine the importance of the promotional and advertising campaign in informing customers about the Islamic banks.

e- To determine the role of Islamic banks in informing their customers about their services and activities.

f- To determine the personal attributes of Islamic banks' customers.

6.2 Research strategy and procedures

As has been noted, the main concern throughout the research was to investigate the extent to which Islamic banks in Jordan have been adopted the marketing concept. Islamic banks' managers understanding to the marketing concept, areas of differences between Islamic banks and other conventional banks as perceived by Islamic banks managers, attitudes of Islamic banks managers towards the facets of the marketing concept, marketing strategies used by Islamic banks involving the marketing mix were investigated. Moreover, customers opinions

about Islamic banks, marketing strategies, and factors they consider in selecting to bank with Islamic banks were also investigated.

As can be seen from the discussion of the literature review pertaining to the marketing of banks services, any evaluation of these areas involve the following

a) assessment of the type of bank
 b) measures regarding the application of the marketing mix.
 c) measures of the managers' opinions towards the various facets of the marketing concept (i.e. customer's satisfaction, profit orientation, integration of the marketing activities, and the social responsibility of the bank).

d) measures of the customers' opinions towards the services and attributes of Islamic banks perceived important by their customers as determinants of Islamic banks choice) i.e. determinance of the factors perceived important in choosing to bank with Islamic banks.

e) the classifications of customers according to their demographic variables, and the relationship of these variables with other variables such as:the use of bank services, the promotional media used by the bank and perceived important by the customers, and opinions of the customers regarding the marketing strategies of the bank.

6.2 1 Identification of the population and the sample

The study is divided into two parts; namely Islamic banks managers' study, and a customers' study. For the first part of

the study, the entire population was used in the study, since there were only thirteen branch managers, and nine senior executives.

The method of selecting the sample for the Islamic banks customers' study was simple. Customers of all branches of the two Islamic banks in Jordan were used as the basis of the customers' survey (i.e. customers of twelve branches of the Jordan Islamic bank, and customers of the one branch of the Jordan Finance House. These were the only branches which were conducting Islamic banks services at the time of the study.

Islamic banks records of individual customers were used as a sampling frame in which every customer account is represented once and only once. A stratified sample was used to assure representativeness. Stratification was based on geographical areas (i.e. branches). Customers of all branches were included in the sample pro rata according to the number of customers in each branch to the total number of the customers, (rounded figures were used). Every hundredth customer and his/her multiple was included in the sample in each branch till the sample was completed. It was decided that the sample size should be large enough to assure representation and to increase response rate. Eight hundred customers were included in the sample. Figure (6.1) outlines the steps taken in the sampling process, while. Table (6.1) shows the number of customers used in the sample in each branch and the response rate.

Figure 6.1: Steps in the sampling process.

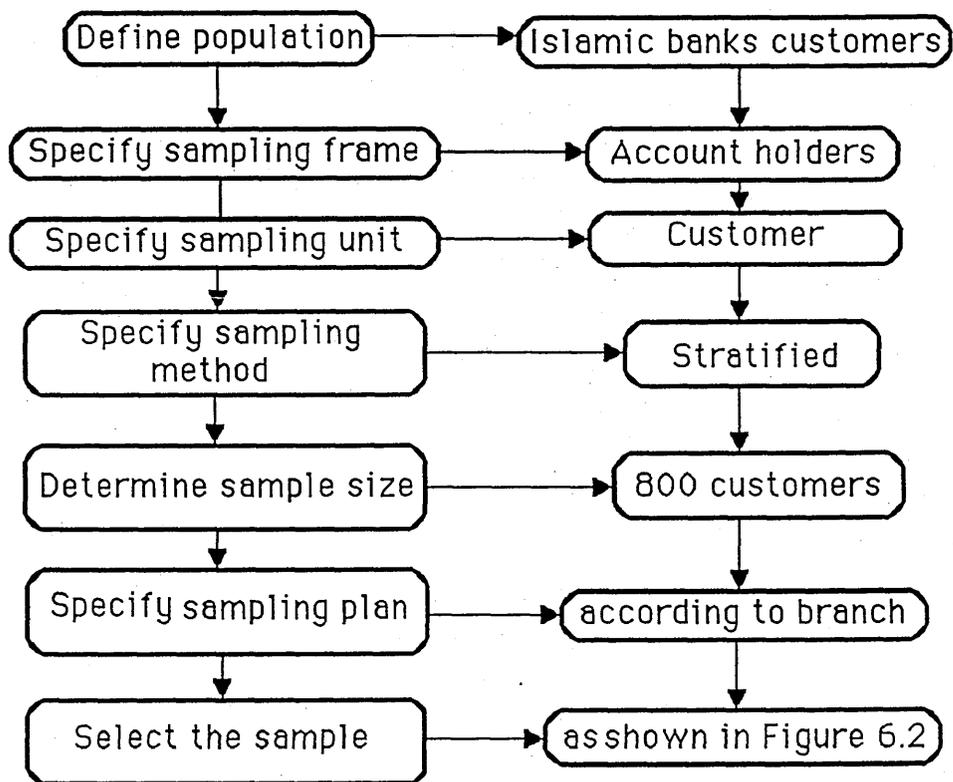


Table 6.1 Number of customers used in the sample and the response rate

Branch	No. of	No. of	Response	Valid	Valid
Customers	Questionnaire	responses	rate	responses	response rate
-Shmesani	70	61	87.1 %	57	81.4 %
-Amman	120	92	76.7 %	85	70.8 %
-Jabal ElHusain /Amman	60	43	71.7 %	37	61.7 %
-Wahdat/Amman	80	55	68.7 %	51	63.8 %
-Zarqa	70	41	58.6 %	37	52.9 %
-Irbid	70	43	61.4 %	42	60 %
-Wadi Essir	50	12	24 %	7	14 %
-Aqaba	60	34	56.7%	27	45%
-Madaba	30	19	63.3 %	51	46.7%
-Sweileh	60	51	85%	48	80 %
-Maan	30	14	46.7 %	12	40%
-Karak	30	13	43.3 %	9	30%
-Jordan Finance House	70	42	70%	4	58.6 %
Total	800	520	65 %	467	58.4 %

6.3 Development of the research instruments:

In order to carry out the study, the researcher developed research instruments which include the development of the questionnaires to be used in the study. This took several steps namely, the selection of the variables to be used in the study, development of the questionnaires, the type of questions to be used, and the structure of the instrument. These are discussed here below.

6.3.1 Selection of the variable

From the extensive review of literature, it was assumed that the following variables would be helpful to achieve the main objectives of the study:

- a) the understanding of the marketing concept
- b) the acceptance of the marketing concept
- c) the adoption of the marketing concept
- d) the organization of the marketing activities
- e) the integration and the cooperation of the marketing activities with other departments of the bank.
- f) the performance of the scope of the activities involving the components of the marketing mix.
- g) the outcome of the implementation of the marketing concept.

Moreover, services of Islamic banks available to their customers, customers use of banks services, factors considered by customers to select to bank with islamic banks; and customers attitudes values, demographic characteristics would also be necessary. Accordingly, questions were selected to be included in a questionnaire directed to:

- a) the senior executives of the two main Islamic banks in Jordan
- b) the branch managers of the two main Islamic banks in Jordan
- c) a sample of 800 customers of the Jordan Islamic bank and the Jordan Finance House.

6.3.2 Development of the questionnaire

A questionnaire is simply a formalized set of questions for eliciting information, and is the most common form of measurements in marketing research. A sound questionnaire requires applying applicable principles, common sense, concern for the respondent, a clear concept of the information needed, a thorough pretesting. Accordingly, three types of questionnaires were constructed for senior executives, branch managers, and customers. The questionnaire of the senior executives and branch managers have many similar questions. Copies are shown in the appendices 1, 2, and 3.

Questions asked were designed to help obtain the needed information, selected to be pertinent, important, easy and quickly to be answered, to require as little reliance on memory as possible, all list of choices were chosen to be adequate and

aid the respondent in expressing choices with "other specify" to be included where necessary. Unclear, ambiguous, double leading, embarrassing, uninformative questions were avoided. Easy to answer questions, those which are likely to interest the respondent were put at the beginning of the questionnaire, important questions towards the middle and the identification data at the end of the questionnaire. Simple words that are familiar to the respondent, have uniformity in meaning, precise words which have freedom from undue influence of bias, or tendency to arouse irrational or emotional responses were used. Questions were designed in such a way that the researcher considers that the respondent knows, remembers, is able and willing to express the data. The size and shape of the questionnaire was kept to be convenient, small, attractive, providing a space for answers, and a space for coding in the margin. The three kinds of questionnaires were translated into Arabic taking account of the guidelines mentioned above in the translation copies.

6.3.3 Types of questions used

According to the expected answers to the questions, and to the method of analysis planned, questions may be framed into two ways: Open ended questions, and Closed ended questions.

Each of these two types has its advantages and disadvantages. Open ended questions produce extensive amount of information, give the respondent the freedom to express himself. Respondents are free from bias, and are not influenced by a restated set of response categories and the quality of

information can be conveyed in the final report. On the other hand, open ended questions have some major disadvantages. They are subject to major sources of errors, they may measure respondents' articulateness rather than the real issue (one respondent may answer clearly, while the other may be reluctant to express himself); it is also difficult to prevent the interviewers' personal preferences, expectations from affecting the results; and it is difficult to code unless precoding is used; and it is difficult to analyze statistically. Hence, many researchers avoid using open ended questions. Therefore, the researcher used the second type of questions (i.e. closed end type) for the following reasons :

- it is easier for the interviewer to ask and for the respondent to answer.
- it requires less time, less cost, less effort than open end questions.
- it tends to reduce interviewer's bias, and large amount of data can be gathered.
- it is easy to analyze statistically.

The researcher used the multiple choice type of closed end questions, while dichotomous questions were used as filtering questions and to explore some banking habits of the customers, and were kept at minimum .

6.3.4 Structure of the instrument

The following sources were searched for ideas to be used in designing questions to be included in the questionnaire:-

a- detailed search in the literature (books, articles journals, thesis, conferences papers, etc.) for significant ideas relevant to bank marketing in general and Islamic bank marketing in particular.

b- suggestions from the supervisor

c- suggestions from bank marketing managers of Scottish banks as well as from bankers in Jordan.

d- suggestions from colleagues, friends through the pilot study.

Since this study is concerned with measuring the attitudes of two groups of managers, (i.e. senior executives, and branch managers, towards the marketing concept, and customers of Islamic banks in Jordan towards the bank services and attributes. Likert type of five point scale was mainly used. According to Borg and Gall (1979)

" Likert scales are probably the most common types of attitude scales constructed " .

The limitations of the likert scale are that numerical values are assigned to each of the five choices on the scale , while the range between the values is not the same . The limitation to the mean score is that it is affected by the presence of the extreme values ,and it does not completely summarise the features of the data .The following is an example of the sort of questions which were asked:

The marketing concept can be defined as "customer satisfaction at a profitable volume in an integrated efficient framework and in a socially responsible manner.

Strongly agree Agree Uncertain Disagree Strongly
disagree

Respondents were instructed to tick the box which reflected

their opinion most accurately.

As indicated in the review of literature, the marketing concept is primarily a function of attitudes of the top management in any institution towards a set of values. These values are:

Consumer orientation: a recognition by the firm that the customer is the business, is the key to the organisation's existence, growth, continuity, and stability. The efforts of the firm should therefore, be directed towards the knowledge and solution of the customers problems.

Profit orientation: The firm's concern with the effect of all its policies, decisions, activities concerning the introduction of new service or elimination of existing ones, pricing, making the service available to the customer, promoting and selling these services on a profitable basis.

Social responsibility: the overall concern of the firm with the growth and stability of the society.

Status of the marketing department: the firm's wide concern with the integration of the marketing activities in a marketing department, and the cooperation with other departments, and the organizational status given to the marketing department, and the managerial appreciation of the importance of the marketing concept.

Twenty five questions were designed to measure the above mentioned dimensions, and were distributed randomly throughout the part two of the questionnaires for senior

executives and branch managers. The following are examples of statements used to measure each value, by means of likert scale .

Customer orientation:

- 1- "Islamic banks decisions, including marketing decisions must be customer orientated ."
- 2- "One of the main uses of market research is to identify customers' needs and pinpoint their buying habits ."
- 3- "Customers' needs should be the most influential factor in making most of the banks policies and decisions ".

Profit orientation

- 1- "Market research is used to identify profitable market potential ".
- 2- "The entire business of the bank should be organized and operated to satisfy customers at a profit ".

Social responsibility

- 1- "A special function of the Islamic bank is directed towards social responsibility ".
- 2- "Islamic banks decisions and activities are closely related to the stability and growth of the society ".

Status of the marketing department

- 1- "Marketing decisions have great influence on other major departmental decisions ".
- 2- "Marketing has little influence on the day to day activities of the bank ".

Importance of the marketing concept

- 1- "Marketing is not only much broader than selling, it is not a specialized activity at all, it encompasses the whole

business It is the whole business seen from the customer's point of view".

2-"Marketing became more important to banks due to increased competition from financial institutions ".

Understanding of the marketing concept

1-"Marketing is more relevant to firms selling goods rather than to firms selling services".

2- " Marketing is another name for selling ".

3- "Marketing means advertising and public relation ".

The second concern of this study was with the performance of the marketing activities, the underlying assumption being that Islamic banks in Jordan were carrying out formal marketing activities, this would be an indicator of a positive attitude towards the marketing concept. Thus, items were included in the questionnaire which asked

1- How are the following marketing activities performed in your bank?.

Introducing new services, Cancelling a type of a service, Pricing, Opening branches, and Advertising and promotion.

Choices to answer this question were: through committees, through departmental meetings, at the head office, through marketing department at the branch level, and other specify.

2- What is the title of the person responsible for the marketing activities at your bank? Tick.

a) marketing manager

b) sales manager

- c) administrative manager
- d) public relations manager
- e) No formal title
- f) other (specify)

3- to whom does he report ?

It was assumed here that if the person responsible for the marketing activities reports to a person with the highest status in the organization (i.e. general manager), then the greater his influence on the planning and control of the banking operations will be.

A further indicator of the importance of marketing is the extent to which the person responsible for the marketing activities participate in strategic planning and goal setting. Hence the following question was included in the questionnaire.

To what extent does he participate in strategic planning and goal setting ?. (To a great extent 5 - to very little 1) .

The opinions of senior executives regarding the marketing department at the bank is another indicator of the appreciation of the marketing concept. Hence , the following question was included in the questionnaire.

"A marketing department, if established, should be positioned at the same organizational structure level, like other major departments". (Strongly agree 5 - Strongly disagree 1).

Another concern of the study was with the perception of the nature of Islamic banks, differences with other conventional

banks, and performance of the components of the marketing mix. Thus, items related to such dimensions were included in the questionnaire such as:

- 1- which of the following terms best describes your bank ?
 - a- A commercial bank of an Islamic type.
 - b- A development bank of an Islamic type.
 - c- A commercial and developmental bank of Islamic nature.
 - d- A socially orientated Islamic bank.
 - e- Other (specify).
- 2- question related to the differences of Islamic bank from other conventional banks
- 3- question related to the degree of importance of possible banking goals.

Questions related to the following area were used : the importance of the reasons for introducing new services and the cancellation of existing ones, the objectives of pricing, pricing policies, the factors considered in opening branches or introducing ATMs, and increasing the availability of the bank services, the objectives of advertising, the media used; the importance of each promotional effort. Areas of market research, and by whom it is being carried out were also included.

Moreover, questions regarding training programmes and contents were included and questions regarding branch managers^a roles and tasks were also asked.

A further purpose of the study was to consider the bank services available to customers, and used by them. Customers' use of Islamic bank services and other conventional bank services, their demographic variables, their opinions regarding Islamic banks promotional strategy, factors considered important in their selection of banking with the Islamic banks were also investigated. The conceptual scheme of the study justified viewing bank services marketing as partly a segmentation problem. Since segmentation basically seeks to construct categories of people, its success depends upon how much the marketer knows about the customers and their behavior. The primary goal was to help provide useful empirical data which could assist and influence decision makers of Islamic banks to decide regarding what kinds of sales appeals should be made to what customers, promoted by what kind of media, and made available by what means.

6.4 Administrative communications and interviews

Administrative communications and personal informal interviews with key officials of the two main Islamic banks in Jordan were conducted to gain their acceptance and cooperation during the field work stage. To gain insight into the problem and suggested ideas, communications with university academics from Birzet University, Annajah National University both in the West Bank, and Jordan University in Amman were conducted. Moreover, several informal interviews with colleagues from the Central Bank of Jordan, and other conventional banks in Jordan were conducted. These interviews were of the informal type

rather than the formal one because of the close friendship of the interviewees with the researcher. The researcher had worked for seven years as a head of section in the Central Bank of Jordan. The researcher contacted prominent protagonists of Islamic banking, the International Research in Islamic Economics of The Islamic Development Bank, Jeddah, (Saudi Arabia), and subscribed in the Journal of Islamic Economy (In Arabic) which is a monthly journal published by the Dhubai Islamic Bank in Dhubai/United Arab Emirates.

Before, during and after the field work, the researcher had many discussions with academics, researchers and bankers from different countries of the world while the researcher was attending several conferences and seminars namely:

- 1- British Academy of Management, First Annual Conference, University of Warwick, Sept, 1987.
- 2- Business Administration Divisions of The Arab Universities Seminar, Jordan University, Amman, Oct., 1987.
- 3- Salzburg Seminar On World Financial Markets, Salzburg, June, 1988
- 4- International Business And Accounting Ethics Seminar, University of Illinois/Urbana/Champaign U.S.A, April 1989.
- 5- MEG Conference/Glasgow University, July, 1989.

6.5 The Pilot Study

The purposes of the pilot study were:

- 1- to design the questionnaire in its final form, and

2- to identify any problem which is likely to arise during the field work stage .

Knowledgeable and experienced individuals including colleagues from the doctoral program at the Scottish Business School, The Marketing Manager of the Royal Bank of Scotland/Edinburgh, The Deputy Marketing Manager of Clydsdale Bank/Glasgow, Professors of Business Administrations, bankers from Jordan, The West bank, Birzeit University, Annajah University, Jordan university, and the supervisor, were consulted for advice and suggestions. As a result of such consultations, several amendments in the questionnaires were made including, reordering of questions, deletion and additions of new ones, then the final drafts of the questionnaires were prepared.

The final drafts of the three types of questionnaire were translated into Arabic, the translation copies were sent to some of the Arab experts including bankers, professors of business administration and key official in the Islamic banks of Jordan for consultation to assure that the understanding of questions and willingness to answer is easy. Then a final draft copy in Arabic was prepared and the pilot study was conducted. Twenty five individuals were asked to fill the customers questionnaire and eight experts including bankers were asked to fill both senior executives and branch managers questionnaires. As a result the customers questionnaire was shortened, and the final copies of the questionnaire were constructed as shown in

appendices 1,2,3.

6.6 The field work:

The researcher undertook an eight months field work study in Jordan commencing December 1987. During this period, and thereafter, detailed secondary data was collected about the Jordanian banking system, The Jordan Islamic bank, and the Jordan Finance House.

Personal interviews with structures questionnaire were used to elicit information from the senior executives of the Islamic banks. The researcher believed that this was the best method to collect the data from the senior executives because they were few in numbers and located in one area (i.e. Amman). Thus, the researcher asked each of them to fill the questionnaire in his presence in order to get a high response rate, and complete answers because the researcher can clarify questions which can maximize respondents understanding, and improve the quality and the quantity of the responses. Most of them (seven out of nine) argued that they will fill it afterwards due to the limitations of time during office hours. After three reminders at three different intervals, the researcher was able to receive six valid responses. One of them was received after five months, and new copies of the questionnaire were supplied to some of them.

Assistance from the assistant general manager of the Jordan Islamic bank was gained in every stage, especially in the follow

ups, to senior executives and branch managers. This is mainly due to the good old personal relationship and friendship with the researchers' himself , In addition to his main personal interest in this research.

The mail method seemed more applicable to collect the data from the customers and the branch managers^a due to the large number of customers questioned, and the different locations of branch managers^a which makes personal interview not practical. Telephone interviews were not used because it involves potential bias in the sample and it was found that many customers in the sample were without telephones or had unlisted phones, therefore, the researcher decided to use the mail method. The cost of interviewing is minimized because interviewers are not part of the data gathering process, more reliable answers are supplied directly by respondents, less time is needed to collect the data, and replies are likely to be thoughtful.

A letter from the assistant general manager of Jordan Islamic bank addressed to customers of the bank included in the sample encouraging them to fill the questionnaire was included in the mail questionnaire, with a similar letter to their branch managers. A similar letter to customers of the Jordan Finance House signed by Mr Dawoud Jaafar, one of the senior executives of Jordan Finance House who is responsible for the Islamic banking transactions was also included. Follow ups with three reminders to respondents were used to increase the response rate, which resulted in 100% response rate from branch

managers.

As for the customers study, each of the customers in the sample was issued with a copy of the questionnaire translated into Arabic. Respondents were assured of complete confidentiality of their replies. Only 520 responses or 65 percent response rate were received after three reminders. Usable valid responses were 467 responses or 58.4 percent valid response rate. Response rates varied from customers of one branch to customers of another branch as shown in Table 6.1.

It is clear from the table that a high response rate was gained from customers of branches which are more developed such as Shmeasani branch/Amman, Amman Centre, Jabal Elhusain, Sweileh, and Jordan Finance House . Responses from customers of these branches exceeded 70%, while responses from customers in less developed areas like Maan, Karak were less than 50% . It was worth mentioning that Wadi Essir branch customers response rate was 24% and the valid response rate was 14%. This might be due to the fact that most of the residents of Wadi Essir area who are the main customers of this branch are non-Arab Muslems (Sharkas), have their own values which are very conservative and restricted. They tend not to disclose even their values and habits.

6.7 The Statistical Analysis

Data is useful only after analysis. Data analysis is not simply a set of computer techniques that provide a nice output

if someone pushes a button, but involves converting a series of recorded observations into descriptive statements and/or influences about relationships. The analytical technique should be selected prior to collecting the data. (Tull and Hawkins, 1984).

Several studies were consulted in order to gain an insight into the possible measurements and analytical techniques including Aaker and Day (1986), Tull and Hawkins (1984). They discuss the different methods of measurements and analytical techniques. Hair, Anderson, Tatham and Grablovsky (1984) discuss in details several methods of multivariate data analysis.

Sheth (1971) explains the role of computer technology in the rapid diffusion of multivariate methods, he defines multivariate analysis and discusses the reasons for the probable continuing increase in its use in marketing research. Kinnear and Taylor (1971) comments on Sheth's article, and suggest refinements to the classification scheme for multivariate methods proposed by Sheth. Neidell (1969) provides innovative features of non-metric multidimensional scaling, and techniques which are being applied in the study of a variety of marketing problems, he emphasized the understanding of theoretical and practical differences between these techniques and other scaling devices, an example of use was given and the implication for strategic marketing decisions were discussed. Fruchter (1954) explains in details the use of factor analysis in analyzing data.

Prior to data analysis, editing was conducted in the field work by the researcher to identify and solve problems faced such as: omissions, ambiguity, inconsistencies, errors, and responses, and valid responses for analysis were determined. Because, closed ended questions were used mainly in the questionnaires, coding was fairly straight forward. In the following pages, a discussion of the statistical techniques used in this research is provided.

a- Islamic banks' managers study: The first step in data analysis was to analyze each question or measure by itself. There is a variety of ways in which responses to a question can be presented, the most common are frequency distribution, average, and percentages. Since all senior executives and branch managers were included in the study, only simple statistics were used, frequency distribution, mean, ranking, and percentages. Analysis of a single question for both groups was presented through cross tabulation to determine whether the subgroups (senior executives, branch managers) differ in their opinions, attitudes, and understanding to the marketing concept.

For ranked questions (e.g. very important to not important at all) and (strongly agree to strongly disagree), comparison of the mean was used. The higher the mean score, the more important the variable was considered by the respondents for positive statements and vice-versa for negative statements.

In addition to the above mentioned methods, the analysis was

supported by the results of discussions with key officials of Islamic banks.

b- Islamic banks' customers study: The Islamic banks customers' study aims at determining the attitudes of the customers towards the Islamic banks services and attributes services used, criteria used by customers to choose to bank with Islamic banks, and segmenting the customers in order to help Islamic banks marketers to decide what kinds of sales appeals should be made to what customers, promoted by what kind of media, and made available by what means.

The following is a description of the techniques used:

a- As the initial task of any analysis is often a determination of the basic distributional characteristics of the variables, cross tabulation and frequencies are used to determine these characteristics.

b- Comparison of the mean is used for analyzing ranked questions (very important to .Not important at all).

c- One-way analysis of variance (ANOVA): In order to test whether the means of the subsamples into which the data are broken are significantly different from each other, ANOVA is used. It is assumed that if there are no variations between the groups, the estimates of the population variance should agree. Analysis of variance thus involves making statistical inferences from samples to universe. In one-way analysis of variance, a within group estimate and a between group estimates are computerized; dividing these two estimates produces an F. ratio. A sufficiently large F. ratio indicates that the variation within

the groups is considerably less than between the groups, i.e. the groups differ.

d- Chi-square test of significance: To determine the significance of the observed association in cross tabulations involving two or more variables, chi square test of significance is used. The observed frequency data is compared with another expected set of theoretical frequencies, then a measure (chi square) of the variation between the observed and the expected frequencies is computed. The chi square test of significance helps the researcher to measure if there is an association between two variables. In this study, the researcher's interest is in determining if there is an association between the independent variables (eg. age, education marital status, and income of the customers, and dependent variables (e.g. customers use of services, having the banking habits before or not etc).

The calculated value of X^2 is compared with X^2 from the table under the calculated degree of freedom using a predetermined level of significance (.05 or .01) to help determine the association between the two variables under investigation (e.g. to measure whether the marital status or age is associated with service used or not.) This method of analysis is frequently used in marketing research.

f- Non-parametric correlation is used to measure the strength of relationship between two variables. The correlation indicates whether the association is positive or negative. A

negative correlation means that when one variable is higher in value, the other variable tends to be lower in value. A positive correlation means that when one variable is higher, the other variable tends also to be higher. For example we might expect the correlation between education and income of customers to be positive (Hedderson, 1987).

e- Factor analysis: Factor analysis is one of the multivariate statistical techniques, which is widely used in marketing research. These techniques are appropriate to research studies in the marketing of financial services. Meidan (1986) states that financial services investigate multivariate problem, and therefore, multivariate techniques of data analysis such as factor analysis, cluster analysis and multidimensional scaling are appropriate. Sheth (1970) defines factor analysis as:

"a method of reducing a set of data into a more compact form... the user of factor analysis focuses on the set of variables for which information has been collected and poses the question: can the information be summarized into a smaller number of new variables?: In this case the statistical problem is to reduce the dimension of the problem from 50 variables (say) to two variables with minimal loss of information. Factor analysis is designed to accomplish this goal".

Sheth (1971), Houser and Koppelman (1979) argue that factor analysis has been widely used in marketing. For the purpose of this study factor analysis is used to analyze the characteristics looked for by Islamic banks' customers in choosing to bank with these banks. Since the important objective of bank marketing

researchers is to seek simplicity in the explanation of the phenomena they observe, factor analysis is utilized because of the descriptive and synthesizing contributions it offers in facilitating data interpretation. The multiplicity of variables which influence customers' banks selection and patronization is simplified in order to determine banks effectiveness in discerning consumers wants and in satisfying their needs. In this way, one of the main goals of this study which is to help draw marketing strategies for Islamic banks in Jordan can be achieved.

Most applications of factor analysis aim at reducing a large number of variables into a smaller set of variables. (i.e. data reduction). Massay (1972) identifies four ways into which factor analysis can be used in interpreting marketing data:

- 1- Separation and analysis of distinct dimensions that are latent in a larger set of variables
- 2- Separation and analysis of distinctly different groups of people which exist in a larger population.
- 3- Identification of certain likely variables for subsequent regression or discriminant analysis from among a large set of potential independent variables.
- 4- Summarization of the common parts of a set of explanatory variables into a smaller number of new variables which can be used in regression or discriminant analysis.

The primary purpose of factor analysis is data reduction and summarization, so that most of the information within the

original set of variables will be retained, the analyst generally would not factor analyze a sample of less than 50 respondents (observations) and preferably the sample size should be one hundred or larger (Hair, Anderson, Tatham and Grablovsky, 1984, pp. 218-219)

The valid responses of Islamic banks' customers used were 467, thus it could be factor analyzed. The first decision in the application of factor analysis involves the calculation of the correlation matrix. Because, our objective is to summarize the characteristics (variables) rather than the individual respondents, a correlation matrix of the variables (R factor analysis) is applied rather than (Q factor analysis).

Factor analysis also may be applied to the individual respondents. This type of analysis, called "Q" factor analysis is not utilized frequently, instead most analysts still utilize some type of cluster analysis technique to group individual respondents.

Common factor analysis is applied to identify the underlying factors or dimensions of Islamic banks choice criteria.

The second step, after the factor model is determined (common factor analysis) is to specify how the factors are to be extracted. In this regard two options are available, either orthogonal factors or oblique factors (Hair, Anderson, Tatham and Grablovsky 1984, pp.221-222). Most suitable to the purpose of this study is the orthogonal factor method for the following reasons:

1- it is much simpler than the oblique factor

2- an entirely satisfactory analytical procedure has not been devised for oblique solutions (Hair and others, 1984).

3- factor analysis is used in this study for the purpose of reducing the number of original variables used to choose to bank with the Islamic banks. In order to determine the main salient variables which the consumers of Islamic banks consider in choosing to bank with Islamic banks, in this respect, the appropriate solution is an orthogonal one (Hair and others, 1984).

The third step. After determining the extraction method, and by extracting the initial unrotated factors, the number of factors to be extracted has to be determined. Final determination of the number of factors is determined after the factor matrix is rotated and factors are interpreted. The researcher stops with the factor interpretation because the objective of using factor analysis in this study is simply to identify the logical combinations of variables (i.e. salient variables of Islamic banks in Jordan).

In this regard, respondents were asked to give their opinions of the importance of each factor which influence their choice to bank with Islamic banks on a five point scale ranging from very important to not important at all. Following variables were used in the questionnaire:

wide range of services

Quick service

High return on investment

Simple banking procedures
Convenient location
Friendly staff
Bank advertising
Being an Islamic bank
Long opening hours
Less queuing
Adequate parking
Financial strength of the bank
Loyalty to customers
Low service chargers
Low investment risk
Bank interior atmosphere
Bank interest in social affairs
Recommendations from friends, relatives and neighbours
Other (specify).

In factor analysis, factors are groups of variables largely independent of each other, which is smaller than the original ones, but account for most of the information contained with the original set of determinants; factor loading is used to refer to the correlation between a determinant and a given factor. Loadings of .20 or less are regarded as insignificant, .20-.30 are regarded as low. 30-.50 moderate, .50-.70 high, above 70 is regarded as very high (Fruchter 1954).

Factor loadings are obtained and ordered according to magnitude, then extracted factors are subjectively identified.

Each factor represents the determinants which are highly correlated with it or have high loadings on the factor.

Variables may have positive or negative loadings. If all the signs of a high loadings are negative, the signs may be ignored because this reflects in which quadrants the cluster of determinants are positioned. If the signs are both high positive and high negative loadings, this indicates that a factor is bipolar factor, and this would mean that certain determinants of choice measure the negative aspects of other determinants within a given factor.

Moreover, commonality coefficient is computed in the analysis. This involves determining the proportion of the total variation in each index explained by all the factors used.

6.8 Summary

This chapter has been devoted to the discussion of the research design and methodology used in this study, research problem and objectives of the study are stated, overall research strategy and procedures out lined including administrative communications and personal interviews, identification of the sample, selection of variables and the development of the questionnaires, the pilot study, the fieldwork, and the data analysis techniques are explained. The concluding part of this chapter deals with the types of statistical methods utilized in this study. Besides the simple statistics used, four main

statistical methods are utilized; chi square non-parametric correlation ,anova, and factor analysis. In the following chapters, research findings and results are presented.

Chapter Seven

Research Findings and Results Understanding and Acceptance of the Marketing Concept

7. Introduction

This chapter presents the findings of research relating to the marketing of Islamic bank services in Jordan. The opinions of Islamic banks managers (at both senior executive and branch levels) towards the marketing concept are put forward and discussed. These findings are based on a survey using a questionnaire distributed to the nine executive managers, and a further questionnaire distributed to the thirteen branch managers of Islamic banks in Jordan.

The survey questions were formulated in order to achieve the following purposes:

1. To explore the Islamic bank managers' own description of their banks, and their opinions thereof:
2. To examine the areas of difference between Islamic banks and conventional banks.
3. To determine the paramount aims of Islamic banking as perceived by Islamic banks' managers.
4. To explore Islamic banks managers' understanding and perception of the marketing concept.

5. To explore the extent to which Islamic banks' managers regard the marketing concept as significant

6. To determine the opinion of Islamic bank managers in regard to the various facets of the marketing concept (i.e. customer orientation, profit orientation, the status of the marketing department, and the organisations of the marketing activities, and the social orientation of the bank).

In order to achieve the above mentioned purposes of the study, following questions must be considered:

- How do Islamic bank managers best describe their banks ?
- In what areas do Islamic banks in Jordan differ from conventional banks ?
- What are the most important Islamic banking goals as perceived by their managers ?
- Do Islamic bank managers understand the marketing concept as a philosophy of business?
- To what extent is the marketing concept perceived of by Islamic bank managers as important?
- What are the opinions of Islamic bank managers *vis-à-vis* the various facets of the marketing concept? (i.e. customer orientation, profit orientation, status of the marketing department and the integration of the marketing activities, and the social responsibility of the bank).

7.1 The findings of the survey

Data has been collected from six senior executives out of the nine, and from all of the thirteen branch managers employed by

the two main Islamic banks in Jordan. Because the participants represent the whole of the target population in the survey, only descriptive statistics have been used for analysis (i.e. frequency distribution, cross tabulation, percentages of the total observations, mean scores and ranking).

The findings of the study may be summarized in five sections viz.,

- I - a description of Islamic banks
- II - the areas of difference between Islamic banks and other conventional banks
- III - the importance of the possible banking goals to Islamic banks
- IV - the marketing concept: -
 - a. an understanding of the marketing concept
 - b. the significance of the marketing concept
 - c. the various aspects of the marketing concept
- v - Summary

The following is a discussion of the findings in relation to each section.

7.2 Description of The Islamic banks

The first Islamic bank established in Jordan was the Jordan Islamic bank which was set up in October 1978. Following this, the Jordan Finance House came into being in 1982. These two banks were established to conduct banking activities on an Islamic basis (i.e. on a non interest basis). Due to the special

nature of Islamic banking precepts, it is difficult to describe an Islamic bank in simple terms; can one, for example, define it in commercial terms, or as development bank, a mixture of both, or as a social bank? Both senior executives and branch managers were asked to describe their banks using the above stated alternatives, in addition to "other specify" category. The results are shown in Table (7.1).

Table 7.1: Description of Islamic banks in Jordan as viewed by their managers

Description	Senior Executives' Opinions		Branch Managers' Opinions	
	F	%	F	%
1-A Commercial bank of an Islamic type	-	-	-	-
2-A Developmental bank of an Islamic type	-	-	3	23%
3-A Commercial and a developmental bank of an Islamic nature	6	100%	7	54%
4-A Socially orientated Islamic bank	-	-	3	23%
Total	6	100%	13	100%

The table indicates the following :-

- 100% of the senior executives described their banks as a commercial and a developmental bank of an Islamic nature, whilst seven out of thirteen of the branch managers or (54%) were in agreement with their senior executives in their description to their banks; however, the rest of the branch managers or (46%) were divided in their description of their banks. This latter group divided roughly into two: 3 or 50% of them described their bank as a developmental bank of an Islamic nature, while the other 3 (50%) of them described it as a socially orientated Islamic bank. It is worth noting that, none of the respondents describe the Islamic bank as a purely commercial bank, and nor specified other salient features of the bank.

One can conclude that the majority of the Islamic banks managers in Jordan describe their banks as predominantly commercial and developmental banks of an Islamic nature. This might be due to the fact that Islamic banks' investments tend to be of a long term nature, which leads the respondents to describe their institutions as partly developmental. This alongside the fact that these banks accept deposits in the same way as commercial banks, leads those interviewed to conclude that the banks are essentially a mixture of both commercial and developmental elements.

7.3 Areas of differences between Islamic banks and other conventional banks in Jordan

The literature indicates that there are some main differences between Islamic banks and other conventional banks in general. Six main differences were taken from these literature sources (e.g Abdelmagid,1981,AlHawary, 1981, Sabri and Jabr,1985) and used in the questionnaires along with "other specify" item. Both senior executives and branch managers were asked to tick any area of difference which they perceived. Results of the responses are summarized below:

- 100% of the senior executives and branch managers were of the opinion that " in not receiving or paying interest" was a significant area of difference.

- Three of the senior executives or (50%) of them ,and ten branch managers or (77%) believed that " in the kinds of investments" was another area of difference.

- Two of the senior executives or (33%) and ten branch managers or 77% regarded " in the types of deposits" and " in the services rendered" the two other areas of difference.

- None of the senior executives regarded "in the sources of financing" and " in the ways of charging services" to be areas of difference; while eight or (61.5%) of the branch managers regarded " in the sources of financing" as an area of difference, and six branch managers or (46%) of them regarded " in the ways of charging services" as another area of difference.

- None of the respondents specified any other area of differences outwith the given categories.

One can conclude from the above results that:

- There was a common agreement among senior executives and branch managers that "not receiving or paying interest" was considered as an area of difference, thus, this factor ranked number one of all stated areas of difference. This is mainly due to the fact that Islamic banks' mission is "to sell banking services refined from Riba "interest" which differentiates these banks from other conventional ones.

- "In the kinds of investment", ranked second in importance in terms of differences. The explanation for this would be that this area is considered as an area of difference due to the fact that, unlike conventional banks where this is the main area of investment, Islamic banks do not sell loans on an interest free basis, Instead, they sell investments on a profit and loss sharing (PLS) basis in the forms of partnership, Musharaka (participation) ,Mudaraba, and Murabaha. These areas of investments are rarely found in conventional banks.

- Two areas ranked third in importance in terms of differences; these areas are: "types of deposits" and "types of services rendered". These areas were considered as areas of differences by two senior executives or one third of them and by ten 77% of branch managers or 77% of them . Despite the fact that both types of banks accept deposits and offer banking services, some of the Islamic bank managers consider these areas as areas of difference. This could be due to the fact that branch managers considered these areas as differences more than senior executives, because they (i.e. branch managers)

looked at the mechanism of accepting deposits, and rendering services. In Islamic banks, deposits are accepted, and services are rendered on a profit and loss sharing (PLS) basis, while in conventional banks deposits are accepted, and services are rendered on an interest and commission basis. They are hence, considered as areas of differences.

-There were differences in opinions among senior executives and branch managers, and even, among branch managers themselves regarding "in the sources of financing" and "in the ways of charging for services" as areas of difference. While none of the senior executives regarded these as areas of difference, 61.5% (i.e. eight out of thirteen) of the branch managers regarded "sources of financing" as an area of difference, and 46% of branch managers (i.e. six out of thirteen) regarded "in the ways of charging services" as an area of difference. This might be due to the fact, that the main source of financing banks in general is via deposits; therefore, senior executives did not consider this area as an area of difference because both Islamic banks and conventional banks accept various types of deposits; but the terms upon which deposits are accepted differ between Islamic banks and conventional banks; Islamic banks accept deposits on a (PLS) basis, while conventional banks accept deposits on an interest basis; This fact caused some branch managers to view this as an area of difference.

These differences in opinions between branch managers and senior executives might be due to the fact, that senior

executives are policy makers, while branch managers are field officers. Therefore, executives, as policy makers, tend not to regard "sources of financing" and "ways of charging for services" as areas of difference, since the policy of accepting deposits of various sorts as a source of finance and charging for services on a commission basis, are similar in both types of banks. Conversely, branch managers as field officers are responsible for the implementation of executives' policies. They notice that there are differences in the implementation: Deposits are accepted on a PLS basis in Islamic banks, while they are accepted on an interest basis in conventional banks. Both banks charge for services on a commission basis, but Islamic banks charge for services irrespective of the time taken to perform the service, or the amount of the service (i.e. there is a fixed standard charge for each transaction). Conventional banks charge for services on a commission basis also, but they take into consideration the amount of the service and the length of time demanded to perform the task. The following example clarifies this point:

If a letter of credit is opened with an Islamic bank for £100 or for £1000, be this for three months, or for six months, the bank charges the same commission irrespective of the amount or the length of time required to perform the various tasks required for the completion of the transaction. This is not the case in conventional banks where different commission charges are levied on different amounts of cash and in relation to the amount of time required to perform the service.

One can conclude that branch managers' opinions regarding the above two issues differ from senior executives due to the fact that executives look at them as general policies and hence, do not consider them as areas of difference. While branch managers differ in their opinions towards these two areas as areas of difference; some of them view these two areas in terms of general policy as do senior executives, hence, they do not consider them as areas of difference, while others perceive themselves as field officers, thus responsible for the implementation of these policies. These latter are aware of the differences in implementation, therefore, regard them as areas of difference.

Based on the above analysis, areas of differences between Islamic banks and conventional banks in Jordan can be ranked according to respondents frequencies as shown in Table 7.2

Table 7.2 Areas of difference between Islamic banks and conventional banks in Jordan

Areas of difference	No.Of executive consider	No.Of branch managers consider	Total
	It	It	
1- in not receiving or paying interest	6	13	19
2- in the kinds of investments	3	10	13
3- in the types of deposits	2	10	12
4- in the services rendered	2	10	12
5- in the sources of financing	—	8	8
6- in the ways of charging for service	—	6	6

These findings support what is found in previous study literature, i.e. the first three ranking areas of difference constitute the main areas of differences. (Sabri and Jabr, 1985, Abdelmagid, 1981).

7.4 The importance of the possible banking goals for Islamic banks in Jordan

The banking goals perceived of as important by senior executives of the bank reflect their attitude towards the marketing concept. Twelve possible banking goals taken from the literature have been included in this study. The senior executives of Islamic banks in Jordan were asked to rank the importance of each of these banking goals on a five point scale, ranging from "very important" to "not important at all". The mean scores of the responses were calculated, and were then ranked to show the importance of the banking goals for Islamic banks as viewed by their senior executives. The results are shown in Table 7.3 .

It was found that the most important banking goal for Islamic banks in Jordan was "developing bank image", because 100% of the respondents rate this goal as "very important", thus, the mean score was (5.00). This goal ranked first in importance among the other possible banking goals. The mean score for "satisfying customers' needs" was (4.83), and ranked second in importance; while the following three banking goals had equal mean scores ($\bar{X} = 4.67$) and ranked third in importance. These goals being: "to increase the market share", "to increase the range of services", and "to increase the return on investments (R.O.I)".

investments (R.O.I)".

Table 7.3 : The importance of the possible banking goals for Islamic banks in Jordan as perceived by their senior executives

	5	4	3	2	1	Mean	Rank
-to develop bank image	6	-	-	-	-	5.00	1
-to satisfy customers' needs							
-to increase market share	4	2	-	-	-	4.67	3
-to increase return on investment (ROI)	4	2	-	-	-	4.67	3
-to increase range of services	4	2	-	-	-	4.67	3
-to maximize profitability	3	3	-	-	-	4.50	6
-to minimize risk	3	3	-	-	-	4.50	6
-to develop bank image	6	-	-	-	-	5.00	1
-to increase certain types of deposits	2	4	-	-	-	4.33	8
-to find new markets	2	4	-	-	-	4.33	8
-to increase certain types of investment	1	5	-	-	-	4.17	10
-to meet competition	2	3	1	-	-	4.17	11
-to direct customers to certain types of services	-	3	1	1	1	3.00	12

5 very important, 4 important, 3 uncertain, 2 not important, 1 not important at all.

"To maximize profitability", and "to minimize risk" achieved equal mean scores of (4.5) and ranked sixth in importance; whilst "to increase certain types of deposits" and "to find new markets"

gained the same mean score of (4.33) and ranked eighth in the order of importance.

"To meet competition" and "to increase certain types of investments" mean score was (4.17) and ranked tenth in importance, while "to direct customers to certain types of services" had a mean score of (3.00), and came last in the order of importance.

These results are consistent with what was found in the literature viz., that the main goals of the firm are "to develop bank image" and "to satisfy customer needs". These two goals were found to be the most important banking goals as perceived by Islamic banks' senior executives in Jordan. It is also found that Islamic banks do not perceive cross selling as important to their banks, this is evident from the above results which showed that "to direct customers to certain types of services" as a banking goal was considered the least important one. This finding contradicts Meidan's (1983 b) thesis of banks marketing objectives in which he states "to direct customer to certain types of services" can be regarded as one of the main flexible (short run) objectives of banks.

7.5 The marketing concept

The marketing concept is defined by Berry and Donnelly (1975 : 9-1) as "customer satisfaction at a profitable volume in an integrated efficient frame work and in a socially responsible manner". This definition of the marketing concept involves four main facets i.e.: customer orientation, profit orientation, integration of the marketing activities and the social orientation of the firm. The findings of the study in relation to the understanding of the marketing concept by Islamic bank managers, the importance of the marketing concept as perceived by them, and their opinions regarding each of the marketing concept are presented below:

7.5.1 Understanding the marketing concept

Opinions of Islamic bank managers in Jordan (at both senior executives and branch levels) were investigated regarding their agreement or disagreement with the statements measuring their understanding of the marketing concept. Eight statements were taken from the literature and scattered in part two of the senior executives, and branch managers' questionnaires. Six of these were negative statements shown in Table (7.4), while the other two were positive statements shown in Table (7.5). Respondents were asked to rate their agreement or disagreement with each statement on a five point scale ranging from "strongly agree" to "strongly disagree". The mean scores of the responses were calculated for each statement. It was

assumed that for the negative statements, the higher the mean score, the less the understanding of the marketing concept on the part of the respondents; while for positive statements, the higher the mean score the greater the understanding of the marketing concept the respondent possesses. Mean scores of the respondents' opinions regarding the negative statements are shown in Table (7.4) :

The table shows that senior executives tend to agree with three statements (namely 3, 4 ,5) because the mean scores of these statements were (4.17), (3.67) and (4.33) respectively. Conversely, they disagreed with the other three statements, because the mean score of each of the other three statements (1,2, and 6) was (2.83). The grand mean of all statements was (3.44) viz., more than (3.00) which might indicate a tendency towards agreement with the negative statements. This might indicate a narrow understanding of the marketing concept on the part of the interviewees. The mean scores of the branch managers' opinions to five negative statements ranged from (3.23) to (3.61), which is more than (3.00). This indicates a tendency of agreement with the statements. However, the only major disagreement which they had was with the statement No. 5 which states:

"A feeling of the market is more important than any amount of market research.". The mean score for this statement was (2.61).

Table 7.4 Opinions of Islamic bank managers in Jordan towards their understanding of the marketing concept (negative statements).

Statement	mean score*	
	senior executives opinion	branch managers opinion
1- Marketing is more relevant to firms selling goods rather than the firms selling services	2.83	3.61
2- Marketing is another name for selling.	2.83	3.85
3- The aim of the bank is to sell the services it can offer rather than offering what customers want.	4.17	3.54
4- Marketing has little influence on the day-to-day activities of the bank	3.67	3.23
5- A feeling of the market is more important than any amount of market research.	4.33	2.61
6- Marketing means advertising and public relations	2.83	3.50
Grand mean	3.44	3.40

*The higher the mean score, the more agreement the respondent has with the statement, and the lesser the understanding of the marketing concept he possesses.

The grand mean score of branch managers' opinions towards the negative statements shown in Table 7.4 was (3.4) which is fairly similar to that of senior executives: (3.44). Both grand mean scores (3.4 and 3.44) are less than an agreement level (4.00) , but more than uncertain (3).

These mean scores reflect a tendency towards a general agreement by both senior executives and branch managers to the negative statements, which could indicate a low level of understanding of the marketing concept. The difference of opinion between senior executives and branch managers *vis-à-vis* statement number 5 indicates that: While senior executives agree with this statement ($\bar{X} = 4.33$), branch managers tend to disagree with the same statement ($\bar{X} = 2.61$), which indicates that branch managers feel the importance of market research, while senior executives do not. This might be due to the fact that branch managers are field officers and have daily contact with customers and hence, feel the need for market information, whilst senior executives do not have this daily contact and therefore, are not aware of the importance of market research.

As for the two positive statements shown in Table (7.5), both. Senior executives and Branch managers tend to agree with the statements. However, branch managers are more in agreement with each of the two statements than are the executives. The mean scores of their opinions of the statement:

"Marketing can be defined as: "Customer satisfaction at a profitable volume in an integrated efficient frame work and in a

socially responsible manner.", were (4.54) and (3.83) respectively for branch managers and senior executives.

The mean scores were (4.15) and (3.83) for branch managers and senior executives' opinions respectively to the following statement:

"Marketing is not only much broader than selling, it is not a specialized activity at all: it encompasses the whole business; it is the whole business seen from the customer's point of view".

Table 7.5 Opinions of Islamic bank managers in Jordan regarding their understanding of the marketing concept.

Statement	mean score*	
	Senior executives' Opinion	Branch managers' Opinion
1- Marketing is not only much broader than selling, it is not a specialized activity at all. It encompasses the whole business, it is the whole business seen from the customers' point of view.	3.83	4.15
2- The marketing concept can be defined as customer satisfaction at a profitable volume in an integrated efficient frame work, and in a socially responsible manner.	3.83	4.54

*The higher the mean score, indicates that the more agreement is shown by respondents with the statement, and hence, the greater the understanding of the marketing concept is displayed.

Although, their concurrence with the above statement might indicate their agreement with the broadening definition of marketing to encompass the whole business, branch managers' agreement with the above statement contradicts their concurrence with the following negative statement:

"Marketing is another name for selling"; the mean score of their opinions on this statement was (3.85), which reflects a tendency to agree with it. This might indicate that Islamic banks' branch managers in Jordan misconceive the word "marketing".

One can conclude that Islamic bank managers in Jordan at both senior executives and branch manager levels, have a narrow understanding of the marketing concept, and misunderstand the word "marketing". This supports the findings in literature, that branch managers do not lack interest in marketing, but they have serious misunderstanding of what a marketing approach implies to them personally, (Watson 1974, Baker,1977a). These findings also confirm the following statement of McIver and Nayler (1980)

"Members of the banking community have... established both misunderstanding of the major principles of the concept and a failure to reflect these into their day to day marketing operations."

7.5.2 The importance of the marketing concept

To evaluate the importance of the marketing concept for Islamic banks in Jordan, three statements were taken from the literature and scattered at random in part two of the questionnaires of both senior executives and branch managers. The opinion of Islamic bank managers (both senior executives and branch managers) were given on a five-point scale ranging from "strongly agree" to "strongly disagree". The mean scores of the results were calculated and are shown in Table 7.6.

Table 7.6 The importance of the marketing concept as reflected by the opinions of Islamic bank managers

Statement	mean score*	
	Senior Executives' Opinions	Branch managers' Opinions
1- Marketing became more important to banks due to increased competition from other financial institutions.	4.33	3.61
2- Competition between banks makes for better services.	4.67	3.85
3- Bank marketing strategy should be to offer more of the new services to existing customers.	3.83	3.54

*The higher the mean score, the more agreement the respondent has with the statement, and the more important is the

The mean score of the respondents opinion of each statement was not less than (3.83) for senior executives, and not less than (3.50) for branch managers. These findings indicate that Islamic bank managers in Jordan regard the marketing concept as important, because they tend to agree with all statements shown in Table (7.6). But it is worth mentioning that some differences were found in the responses of senior executives and branch managers. Mean scores of senior executives responses were higher than those of branch managers. This might reflect that the marketing concept is regarded as more important by senior executives than by branch managers.

This means that Islamic banks' managers were not uninterested in marketing; they regarded it as important, but they had what Watson (1974) calls "a serious misunderstanding of what a marketing approach to financial services implies to them personally". This could indicate that Islamic bank managers' attitudes towards the marketing concept is similar to that which was found in Europe in the 1970s, as summarized by Knox (1975). He goes on to say that most of the financial services, especially banks, fail to determine what their business is. They sell their services in a conservative fashion, waiting for business to come to them rather than actively going out and looking for business. Thus, Islamic banks in Jordan have started to accept the marketing concept and have started to introduce the concept of marketing to the field of banking. This conclusion is also realized by AL Hawary (1981) .

7.5.3 Facets of the marketing concept

Berry and Donnelly's (1975: 9-11) definition of the marketing concept was used to guide the analysis of the facets of the marketing concept. They define the marketing concept as:

"Customer satisfaction at a profitable volume in an integrated efficient framework and in a socially responsible manner."

This statement was used in part two of the questionnaire for both senior executives and branch managers. They were asked to state their opinions regarding this statement on a five point scale ranging from "strongly agree" to "strongly disagree". The use of this statement was to assess the acceptance of the marketing concept by Islamic banks in Jordan. The mean scores of the responses to the statement were (3.83) and (4.54) for senior executives and branch managers respectively. This indicates an acceptance of the marketing concept by Islamic banks in Jordan. For deep analysis of this phenomenon, facets of the marketing concepts were investigated and results are discussed below. These include customer-orientation, profit-orientation, integration of the marketing activities and social responsibility.

7.5.3.1 Customer orientation

The literature suggests that the basic philosophy of management should be consumer-orientated, e.g (Sheehan ,1970, McNamara, 1972, Majaro, 1985) and many others. They argue

that all company planning, policies and operations should be orientated towards the customer.

To measure the opinions of the Islamic bank managers towards the customer orientation of their banks, six statements were used in the part two of the questionnaires given to both senior executives and branch managers. These were arranged randomly in the questionnaire. Respondents were asked to state their opinions as to the statements on a five point scale ranging from "strongly agree" to "strongly disagree". The mean scores of the responses were calculated and shown in Table (7.7). The mean scores ranged from (3.50) to (4.67) for senior executives and from (3.08) to (4.77) for branch managers.

These results reflect a general consensus of agreements with the statements, reflecting the customer orientation of the bank. The following statement:

"The cooperation and coordination of all banks departments is a very important factor in the attainment of both customers' and bank's objectives" .had the highest mean score of the responses of senior executives and branch managers; The mean score was (4.67) for senior executives and (4.77) for branch managers. Four out of six senior executives strongly agree with the statement, whilst the other two simply agree. Ten out of thirteen branch managers strongly agree with the statement, whilst the other three simply agree with it. None of the respondents were in total disagreement or were uncertain about this statement. This could indicate that the attainment of both customer and bank objectives were considered very important to Islamic banks in Jordan.

Table 7.7 Agreement and disagreements of Islamic bank managers in Jordan with the customer orientation of the bank

Statement	mean score*	
	senior Executives' Opinion	Branch managers' Opinion
1- Customers' needs should be the most influential factor in making of the banks policies and decisions.	4.00	3.08
2- The entire business of the bank should be organized and operated to satisfy the customer at a profit.	4.33	3.92
3- Bank marketing strategy should be to offer more of the new services to existing customers.	3.83	3.54
4- The cooperation and coordination of all bank's departments is very important, to achieve both customer and bank's objectives	4.67	4.77
5- One of the main uses of market research is to identify customers' needs and to pinpoint their buying habits.	3.83	4.00
6- Islamic banks' decisions, including marketing decisions must be customer-orientated.	3.50	3.92
Grand mean score	4.02	3.87

*More than 3 reflects agreement with the statement; the higher the mean score, the more in agreement the respondents are with the statement.

The results, and the higher mean scores of the responses to all of the six statements by both senior executives and branch managers reflect the acceptance of the customer orientation facet of the marketing concept by Islamic banks in Jordan.

7.5.3.2 Profit orientation

One of the main marketing goals of any profit making institution (i.e. business firm) is to maximize profit. Meidan (1983a) puts the profitability on the top of the list of the fixed (long-run) objectives of the bank. Therefore, the profit-orientation of the bank is one of the main facets of the marketing concept. The profit-orientation of the Islamic banks in Jordan was measured by the responses of their managers to three statements scattered in part two of the questionnaire. Their responses were given on a five point scale ranging from "strongly agree" to "strongly disagree": The mean scores were calculated and shown in Table 7.8:

It was found that both senior executives and branch managers agree with the statements mentioned in Table 7.8. The mean scores showed that there are some differences in the responses of senior executives and branch managers.

Table 7.8 The agreement or disagreement of Islamic banks' managers in Jordan as to the profit orientation of their banks

Statement	mean score	
	Senior Executives' Opinion	Branch managers' Opinion
1- The entire business of the bank should be organised and operated to satisfy the customer at a profit.	4.33	3.92
2- The main business of Islamic bank is to increase sales volume; profit will follow naturally.	4.33	4.23
3- Market research is used to identify profitable market potential.	3.50	4.31

Senior executives agreed more with the first two statements than did branch managers, whilst the mean score of branch managers responses to the third statement was higher than that of the senior executives. The third statement states:

"Market research is used to identify profitable market potential." The higher mean score derived from the responses of branch managers to this statement as opposed to that of the senior executives, supports the previous findings mentioned under heading 7.5.1. This indicates that branch managers value the use of market research to a greater extent than senior executives.

One can conclude that Islamic banks in Jordan are profit-orientated, because their managers agree with all of the statements measuring the profit-orientation of the bank .

7.5.3.3 Integration of the marketing activities and the status of the marketing department in Islamic banks

Literature suggests that the existence of a marketing department in a bank and the greater the status afforded to it are other indicators of the acceptance of the marketing concept by the bank.

Islamic banks in Jordan, like conventional banks in Jordan had not created a special department to administer and perform the marketing activities. It was found that the marketing activities of Islamic banks in Jordan are performed mainly at the head office. Senior executives' questionnaires included the following question:

"How are the following marketing activities performed in your bank?:"

- introducing new services
- canceling a type of service
- pricing the services
- opening branches
- advertising and promotion

They were asked to choose for each activity one of the following alternatives:

- through committees
- through departmental meetings
- through the marketing department at branch level
- at the head office
- other (specify).

Their responses to the above question can be summarized thus as:

All of the executives stated that none of the marketing activities mentioned above are performed via committees or via a marketing department at branch level. All of the executives stated that branching, advertising and promotion activities are performed at the head office. 83.3% of the senior executives (i.e. five out of six) stated that pricing is performed at the head office, whilst only one executive. (16.7%) stated that pricing is performed through departmental meetings.

As for the introduction of new services and the cancellation of types of services, senior executives' responses were as follows:

- a. Fifty percent of them (three out of six) said that these two activities are performed at the head office.
- b. Fifty percent said that they are performed via departmental meetings.

The above results indicate that marketing activities are given high status, and are performed by the head office and through departmental meetings at the head office.

It was also found that there was no employee who worked exclusively in marketing, be this in the Jordan Islamic bank or in the Jordan Finance House. The researcher found that it was difficult for senior executives in the Jordan Finance House to define the title of the person responsible for marketing activities. One executive stated that this person had no formal title, whilst the other stated that marketing activities were a responsibility of the investment and finance officer. However, in the Jordan Islamic Bank ,the senior executives responses were unanimous. The person responsible for the marketing activities held the title of "public relations manager". Moreover, the person responsible for the marketing activities in both banks came from within the bank. He was a banker, and was responsible to the general manager. The mean score of the senior executives responses to the question:

"To what extent does this person participate in strategic planning and goal setting?".

was (3.83), which means that they tended to agree that he participated in strategic planning and goal setting. This is due to his executive position, rather than his responsibility for marketing.

The status of the marketing department and the integration of marketing activities are other indicators of the acceptance of the marketing concept. Three statements were included in part two of the questionnaires of both senior executives and branch managers. Their opinions regarding the agreement or disagreement on a five point scale ranging from "strongly agree"

to "strongly disagree" were investigated. The mean scores of the responses to each statement was calculated and are shown in Table 7.9.

The mean scores show that senior executives and branch managers of Islamic banks differ in terms of their agreement or disagreement with the following statement:

"A marketing department, if established should be positioned at the same organizational structure level as other main investment, finance and branch departments, etc."

Branch managers tend to concur with the statement: ($X = 3.23$), whilst senior executives tend to disagree ($X = 2.83$). Only one senior executive agreed with the statement, three were uncertain and the other two disagreed. Thus, their opinions concerning the status of the marketing department if established, were not favorable.

They tended not to give it as high a status as other main departments. Branch managers responses however, indicate the converse. They tend to afford the marketing department the same organizational status as other main departments. This is indicated by the mean score of their responses, which was (3.23). However, by examining their responses in more depth, it is found that only five out of thirteen branch managers "strongly agree", and "agree" with the statement. Four were uncertain, and four "disagreed". This result gives another indication of the possibly narrow understanding of the marketing concept by Islamic banks in Jordan.

Table 7.9 Islamic bank managers' opinions regarding the status of the marketing department and the integration of marketing activities

Statement	mean score*	
	Senior Executives' Opinion	Branch managers' Opinion
1- The cooperation and coordination of all bank departments is very important to achieve both customers' and banks' objectives.	4.67	4.77
2- A marketing department, if established, should be positioned at the same organizational structure level as other main investments, finance, branch departments, etc.	2.83	2.23
3- Marketing decisions have a great influence on other major departmental decisions.	3.83	3.85
Grand mean	3.78	3.95

As to the other two statements, both senior executives and branch managers agreed with them. Their opinions are relatively similar. The mean scores of the responses to the following statement:

"The cooperation and coordination of all banks departments is very important to achieve both customers' and banks'

objectives.",

were (4.67) and (4.77) for the senior executives responses and branch managers responses respectively, whilst they were (3.83) and (3.85) for senior executives and branch managers respectively to the following statement:

"marketing decisions have great influence on other major departmental decisions."

One can conclude that although Islamic bank managers agree with the integration of the marketing activities and the cooperation and coordination of all bank's departments; Nonetheless, the marketing function in Islamic banks in Jordan has not been accorded the same status as that of other major bank functions. Furthermore, such parity is not likely to be given to the marketing function in the near future, and there is no indication that managers are considering establishing marketing departments in the immediate future. Therefore, even if established, such department would not be afforded priority status. This indicates the low priority order of marketing in the estimation of Islamic banks in Jordan. This concurs with Baker's thesis (1977b) that marketing is degraded by banks.

7.5.3.4 The social responsibility of Islamic banks

The opinions of Islamic banks' managers regarding the social responsibility of their banks were examined in terms of their agreements or disagreements with three statements (see Table 7.10). There was general agreement between Islamic bank

managers on the social responsibility of their banks. Senior executives "strongly agreed" or simply "agreed" with all statements; only one executive was uncertain about statement no. 2 which states:

"A special function of the Islamic bank is directed towards social responsibility."

Table 7.10 Opinions of Islamic bank managers regarding the social responsibility of their banks

Statement	mean score of the responses*	
	Senior Executives' Opinions	Branch managers' Opinions
1- Social responsibility should be part of the training of the Islamic banks' personnel.	4.33	4.38
2- A special function of the Islamic bank is directed towards social responsibility.	3.83	3.92
3- Islamic banks decisions and activities are closely related to the stability and growth of the society.	4.50	4.61
Grand mean	4.22	4.30

*The higher the mean score, the more agreement respondents had with the statement. A mean score of more than (3) indicates their concurrence.

Branch managers, too, generally "strongly agreed" or simply "agreed" with the three statements. Three, however, were uncertain on statement no. 2, and one disagreed totally with that statement. This made the mean score of responses to this statement the lowest, i.e. ($\bar{X} = 3.83, 3.92$) for senior executive responses and branch managers' responses respectively.

The grand mean score of the responses to the three statements was (4.22), and (4.30) for senior executives and branch managers respectively. This reflects the agreement by both groups of managers to the social responsibility of Islamic banks in Jordan. Thus Islamic banks in Jordan are socially orientated.

7.6 Summary

This chapter was devoted to discuss the findings of the field work concerning the opinions of Islamic bank managers and their acceptance of the marketing concept. How do they describe their banks, what differences do they see between their banks and conventional banks in Jordan? What is the significance of the possible marketing goals to their banks in regard to their understanding of the marketing concept ?, and how important is the marketing concept to them were also discussed. One must also ask their opinions regarding the various facets of the marketing concept (i.e. customer orientation, profit orientation, the integration of the marketing activities and the social orientation of the bank).

It was found that Islamic banks were described by their managers as "commercial and developmental banks of Islamic nature". Some of the branch managers however, described theirs as a "developmental bank of Islamic nature", whilst others described theirs as "a socially orientated Islamic bank"; none described their bank as simply "commercial bank".

"Developing bank image", and "satisfy customers needs" were found to be the most important of the given banking goals for Islamic banks. "To meet competition" and "to direct customers to certain types of services" were found to be the least important of the given banking goals.

The main differences between Islamic banks and other conventional banks were found to be in the following areas:

"in not receiving or paying interest",

"in the types of deposits" ; and

"in the types of investment".

The differences in opinions regarding the "sources of financing" and the ways of charging for services" were diffuse. Some branch managers stated these as areas of difference while other branch managers and some senior executives did not consider these to be areas of difference.

Both senior executives of Islamic banks and branch managers tended to agree with statements reflecting a narrow understanding of the marketing concept. However, differences in opinions were also found regarding their understanding of the

marketing concept; they tended to agree with statements which indicated a good awareness of the marketing concept. Despite discrepancies, it was found that senior executives had a better grasp of the marketing concept than branch managers.

The marketing concept was considered as important by both senior executives and branch managers, but it was found that senior executives regarded the marketing concept as more important than branch managers.

The marketing department was not formed by the Islamic banks in Jordan, one found that marketing activities were performed by and centralized in head office. Further more, no one's main function was that of marketing. This function was assigned to a public relations officer in the Jordan Islamic bank and it was not clearly assigned to any specific individual in the Jordan Finance House. Those responsible for marketing activities were senior executive staff members. These participate in strategic planning and goal setting, and report directly to the general manager. The marketing function in Islamic banks has not been given the same status as other departments. Furthermore, it is not likely to be given such status, as no indication that a marketing department will be established in the near future. And even should it be established, it will not be given the same status as other major departments. This indicates that marketing is of minor importance to Islamic banks in Jordan.

Islamic banks in Jordan were found to be customer-

orientated. This fact was shown in the responses of both senior executives and branch managers; they put customer satisfaction, and "the development of bank image" at the top of the list of their objectives. Moreover, Islamic banks were found to be profit-orientated and socially responsible. This indicates their acceptance of the marketing concept in some of its facets, but rejection of other of its facets. They accepted customer-orientation, profit-orientation, social-orientation, but depreciate the value of the marketing department.

To conclude, one may state that Islamic banks in Jordan have accepted some of the facets of the marketing concept, but have seriously misunderstood this concept. Some differences were to be found in the opinions of senior executives and branch managers regarding the marketing concept. Marketing is of low priority in their estimation; and misconceptions of the word "marketing" were to be found. In the following chapter the application of the marketing concept by Islamic banks in Jordan is discussed. Marketing strategies and the role of branch managers will be considered. Hence, the practical implementation of the marketing concept by Islamic banks will be examined.

Chapter Eight

Research findings and Results Application of the Marketing Concept

8. Introduction

This chapter presents the findings of research relating to the marketing of Islamic banks' services in Jordan, and the attitudes of the Islamic banks' managers to: a. the implementation of the marketing concept, b. their opinions of marketing strategies, c. market research. The findings are based on a survey using questionnaires distributed to senior executives and branch managers of Islamic banks. The survey's questions aim to achieve the following goals:

- 1- To determine the opinion of Islamic banks' managers in regard to the market research.
- 2- To determine the opinion of Islamic banks' managers in regard to the marketing strategies viz., bank services, pricing, establishing branches and promotion.
- 3- To explore the role of branch managers in the implementation of the marketing concept.

To achieve the above mentioned objectives, the following questions are posed:

- a- Do Islamic banks conduct market research, and if so in what areas ?
- b -How do Islamic banks perceive the importance of

marketing strategies (including marketing mix), in the implementation of the marketing concept?

c- What is the role of the branch managers as field officers in the implementation of the marketing concept?

8.1 The findings of the survey

Data has been collected from six senior executives (9 were targeted) and thirteen branch managers of the two main Islamic banks in Jordan. As the respondents representing the whole of the target population in the survey; descriptive statistics only have been used for analysis (namely, frequency distribution, cross tabulation, percentages, mean scores and ranking.)

The findings of the study are summarized in the following three sections:

- I market research in Islamic banks
- II marketing mix
- III summary .

8.2 Market research in Islamic banks

Meidan (1983b) argues that strategy is the connecting link between planning and action. Shapiro (1985) points out that the essence of almost any marketing strategy can be described by presenting the target market segment and the elements of the marketing mix. Meidan (1983b) states that the identification of the possible market targets can be attained by research. The target market of the bank is the customer. Senior executives of Islamic banks in Jordan were asked to state their opinions about

market research. They answered that their banks do in fact, conduct market research. However, responses to the question:

"By whom is market research conducted" ?"

were diverse; Fifty percent (three of them) said that it was conducted by bank staff, 33 percent (two of them) stated that it was conducted by outsiders, and the rest stated that it was conducted by both bank staff and outsiders. This indicates that some areas of market research are conducted by bank staff, while other areas are conducted by outsiders. However, small percentage of the whole are conducted by both bank staff and outsiders.

8.2.1 Areas of market research

Areas of market research conducted by Islamic banks were also investigated. Thirteen areas taken from literature were used in the questionnaire. The responses of senior executives as to how often their bank had carried out market research in each area were examined. The mean score of these responses and the ranking of the mean scores are shown in Table (8.1)

It was found that the most frequently investigated area of market research used by Islamic banks in Jordan was that of "the appraisal of customers satisfaction". The mean score of the responses to this area of market research was (4.83); This area ranked first in importance, and second was "to ensure the compliance of the bank with Islamic *Sharia*" (The mean score for this area was (4.67) .

Table 8.1 Opinions of the senior executives of Islamic banks concerning the areas of market research

Areas of market research	Frequent use*					mean score	Rank
	5	4	3	2	1		
1. appraisal of customers' satisfaction	5	1	_	_	_	4.83	1
2. to ensure compliance of Islamic banks' activities with Islamic Shari'a	4	2	_	_	_	4.67	2
3. to determine advertising and promotional expenditures	3	3	_	_	_	4.54	3
4. market share study	3	3	_	_	_	4.54	3
5. set standards for branches	2	4	_	_	_	4.33	5
6. to identify needs for a specific service	1	5	_	_	_	4.17	6
7. evaluation of competitors activities	2	3	1	_	_	4.17	6
8. developing new services	_	6	_	_	_	4.00	8
9. need for branching and branch location	2	3	_	1	_	4.00	8
10. analysis of customers' profitability	2	3	_	1	_	4.00	8
11. pricing study	2	2	1	1	_	3.83	11
12. service user survey	_	3	1	2	_	3.17	12
13. need for ATMs and their locations	_	2	_	1	3	2.17	13

* 5 Very often, 4 often, 3 uncertain, 2 rarely, and 1 never.

These findings support previous findings viz., that the main goals of Islamic banks were found to be "to develop bank's image" and "to satisfy customers' needs". These ranked first and second in terms of the mentioned banking goals, and market research was most frequently used in these two areas. As can be seen from Table (8.1) Islamic Banks in Jordan do care about customers' satisfaction and the image of Islamic Banking. However, interest of Islamic banks in automation and ATMs was very low in spite of the inclusion of the credit cards as one of the activities of the Jordan Islamic Banks' Laws. The frequent use of market ressearch in this area ranked lowest with a mean score of(2.17) . This could reflect the fact that ATMs were not found in Jordan even in conventional banks; although it has been introduced by some of them in recent times.

8.2.2 Opinions of Islamic banks' managers towards the market research

Five statements were taken from the literature and scattered in part two of the questionnaire in order to measure the opinions of Islamic bank managers (at both senior executive and branch levels) towards market research. Respondents were asked to state their opinions toward each statement on a five point scale ranging from "strongly agree" to "strongly disagree". The mean scores of the responses and their ranking order were calculated and are shown in Table 8.2.

Table 8.2 Mean score of the opinions of Islamic bank managers in Jordan towards market research (their agreement and disagreement with the statement)

Market research statement	Senior Executives' Opinions		Branch managers' Opinions	
	mean score	Rank	mean score	Rank
1- Market research is used to identify profitable market potential.	3.50	4	4.31	1
2- Seeking out the banking needs and wants of the market should be a continuous process.	4.17	2	4.08	2
3- One of the main uses of market research is to identify customers' needs and pinpoint buying habits.	3.83	3	4.00	3
4- Market research is essential for gathering information about the customer	4.17	2	3.54	4
5- A feeling of the market is more important than any amount of market research.	4.33	1	2.61	5

Certain differences of opinion between senior executives and branch managers regarding market research were found. The two types of managers tended to agree with all statements except statement no. 5 which states: "A feeling of the market is more important than any amount of market research". Senior

executives agreed with the above statement. The mean score of their responses was (4.33). This might indicate negative attitudes towards market research. Branch managers, on the other hand, tended to disagree with the above statement. The mean score was (2.61), which might indicate positive attitudes towards market research.

Although the mean scores indicate agreement of both sets of managers with the first four statements, (see Table 8.2), differences in opinions can be found, e.g. statement number four which states:

"Market research is used to identify profitable market potential."

This statement ranked first in terms of agreement by branch managers carrying the highest mean score of (4.31), while it ranked only fourth in terms of agreement between senior executives, producing the lowest mean score of (3.5).

The fourth statement ranked second, by the senior executives with a mean score of (4.17), while it was ranked fourth by branch managers with a mean score of (3.50). This statement says:

"Market research is essential for gathering information about the customer. While statements number two and three, ranked second and third in terms of agreement by both senior executives and branch managers.

One can conclude that Islamic banks in Jordan do, in fact, hold favourable attitudes *vis-à-vis* the market research, but

they tend also to misunderstand the marketing research concept although there was some agreement by both managers of Islamic banks about the statements measuring market research; there was also differences in opinions between the two groups of managers.

8.3 The Marketing Mix

Meidan (1986) argues that market research can assist in finding out the needs and wants of the customer, and also in isolating various types of customers and their specific needs. This enables the firm to develop a suitable product to formulate adequate pricing policies in order to operate at a profit to conduct the appropriate advertising and promotional campaign, and sell the products and services in branches and other channels of distributions in an efficient way. Finally, market research enables the bank to research the future needs of customers in order to meet future requirements and hence, to succeed competitively in the market.

"Marketing mix" is a term used to describe a blending of decisions about product/service, place, promotion and price. Meidan (1984) argues that these decisions act upon each other while they are being mixed together. Magrath (1986) states that marketing plans have incorporated these elements as key building blocks in marketing programme. The four "P"s of "price", "product", "place", and "promotion" have become the four gospels of marketing. The results derived from the findings of the survey regarding each of the "four 'P's" are presented below:

8.3.1 Product/service

The factors which Islamic bank managers took into consideration in introducing new services were investigated. Eight factors were taken from literature and were used in the questionnaire. Senior executives were asked to rate the importance of each factor on a five point scale ranging from "very important" to "not important at all"; The mean score of the responses and their ranking numbers were calculated and presented in Table 8.3.

It was found that the factor considered the most important by Islamic banks in Jordan in introducing new services was "to maintain and develop the image of Islamic banking"; this factor ranked first in importance with a mean score of (5,00) i.e all executives regarded this factor as very important . Two factors ranked second in importance with a mean score of (4.67). These were: "Being in conformity with existing services rendered", and: "To attract new customers".

Four factors ranked fourth in importance with equal mean score of (4.50). These were:

"to meet competition"

"market research proved the need for it"

"to meet customers needs", and:

"to increase customers' usage of various services".

Table 8.3: Factors to be considered in introducing a new service as perceived by senior executives of Islamic banks in Jordan

Factors	Frequencies*					mean	Rank
	5	4	3	2	1		
1- to maintain and develop the image of Islamic banking	6	_	_	_	_	5.00	1
2- being in conformity with existing services	4	2	_	_	_	4.67	2
3- to attract new customers	4	2	_	_	_	4.67	2
4- to increase customers' use of various services	3	3	_	_	_	4.50	4
5- to meet competition	3	3	_	_	_	4.50	4
6- market research proved the need for it	3	3	_	_	_	4.50	4
7- to meet customers' needs	3	3	_	_	_	4.50	4
8- recommendations from staff at the branch level	6	_	_	_	_	4.00	8
9- other specify							

* 5 very important, 4 important, 3 uncertain, 2 not important and 1 not important at all.

The mean scores derived from the responses, show that "recommendations from staff at the branch level" was considered the least important factor. This may reflect the careless attitudes of Islamic banks in Jordan as regards market research, as recommendations put forward by staff at branch level is considered by senior executives as the least important factor involved in introducing a new service. "Market research proved the need for it" as a factor was also considered of less importance than other factors. This conclusion is also borne out by the response of senior executives to the statement:

"A feeling of the market is more important than any amount of market research." (mean score = 4.33)

This score indicates major agreement with this statement. Hence, it can be concluded that the main factors to be considered in introducing a new service in Islamic banks in Jordan are

"to develop and maintain the image of Islamic banking",

"to attract new customers" and

"being in conformity with existing services rendered".

Senior executives were also asked,

"Who makes decisions regarding the deletion of bank services?".

Fifty percent of the executives responded that it was decided at the head office, while the other fifty percent did not respond at all, which might indicate that till now no service introduced has been deleted. A detailed discussion on this topic was conducted in an informal interview with Mr Saleh Elshantir, the

assistant general manager of the Jordan Islamic bank. (The interview was held at his house on December, 28th 1988) , and the researcher raised the following question:

- "Who makes decisions in your bank about the deletion of bank services, and what are the factors considered in deleting a service ?

Elshantir: "No service is introduced by the bank unless it is proved to be, first and foremost, in accordance with Islamic *Shari'a*. An economic and social feasibility study is then conducted. In any case, should the practice prove to be in accordance with Islamic *Shari'a*, our policy is to maintain it, be it profitable or not, because the main objective of the bank is to introduce banking services, finance and investments on a non interest basis to meet the social as well as the economic needs of our customers."

Researcher: "Does this mean that Islamic banks may introduce a service without regard to its profitability?"

ElShantir: "Not at all. Sometimes a service is introduced without considering its profitability, such as *Qard Hasan* (interest free loans for social purposes), but generally, the profitability of the service is studied as mentioned earlier. However, it is not introduced unless it proves to be in accordance with Islamic *Shari'a* i.e. it has to be studied from an Islamic point of view by our *Shari'a* advisor. If a service is introduced, and it then proves to be unprofitable, we do not delete it, as we consider it to be a social service. We have services which do make losses, and we know they will, before introducing them. They are introduced to serve social needs.

These, however, are minimal and offered under very specific circumstances. Services of this type are *Qard Hasan* to needy people for the purpose of education and health etc."

8.3.2 Price

The pricing policies of Islamic banks differ from those of conventional banks. Islamic banks price their services according to profit and loss sharing (PLS) policy, while the pricing objectives may be to some extent similar; six main pricing objectives for banks were taken from the literature added to "other specify", and were included in the questionnaire. Senior executives were asked to rate the importance of each to their banks on a five point scale ranging from "very important" to "not important at all". The mean score of the responses and ranking levels were calculated and are presented in Table 8.4.

8.3.2.1 Pricing objectives

The most important pricing objectives for Islamic banks as perceived by senior executives was found to be "to improve the bank market share" which achieved a mean score of (5.00) and was considered as "very important" by all respondents. This ranked first in importance and was followed by "to increase return on Investment" as a pricing objective with a mean score of (4.67). This ranked second in importance. Three pricing objectives obtained the same mean score of (4.50) and ranked joint third in importance. These were: "profit maximization", "to meet competition", and "to offer a high quality of service".

Table 8.4 Importance of pricing objectives as perceived by Islamic banks' senior executives in Jordan

Objectives	Frequencies*					mean Rank
	5	4	3	2	1	
1- to improve bank market share	6	—	—	—	—	5.00 1
2- to increase return on investment	4	2	—	—	—	4.67 2
3- profit maximization	3	3	—	—	—	4.50 3
4- to meet competition	4	1	1	—	—	4.50 3
5- to offer a high quality of service	3	3	—	—	—	4.50 3
6- to break even as quickly as possible	4	1	—	1	—	4.33 6
7- Other (specify)	—	—	—	—	—	— —

* 5 very important, 4 important, 3 uncertain, 2 not important, 1 not important at all.

The least important pricing objective perceived was "to break even as quickly as possible" with a mean score of (4.33). Although it was considered important as a pricing objective, it ranked the least in importance. No other pricing objective was specified by any of the respondents.

It is clear from the above findings that Islamic banks' pricing objectives give the most emphasis to "improving the share of the market" as a pricing objective, because this ranked first in importance in relation to all other pricing objectives. This was

followed by "to increase the return on investment" which ranked second in importance. The importance of these two pricing objectives as viewed by Islamic bank managers in Jordan might indicate that Islamic banks in Jordan are highly interested in their customers; This is reflected in their interest in improving their share of the banking market, i.e. in obtaining more customers to utilize their services, and to spread their services to different customers. Hence, their pricing objectives become both more competitive and more distinctive than those of their rivals. The second most important pricing objective was "to increase the return on investment" which also indicates interest in their customers who are after all, the suppliers of their funds (i.e.the owners of the bank and the depositors).

8.3.2.2 Pricing Policies

Table 8.5 shows the mean scores and the ranking order of the Islamic banks' senior executives' responses to six pricing policies taken from the literature plus an "other specify". The table shows that pricing according to Islamic *Shari'a* ranked first in importance. All respondents considered this policy "very important", the mean score being (5.00).

Two pricing policies achieved the same mean score of (4.67) and ranked second in importance, these being:

"full cost plus profit margin", and "pricing according to government regulations", while "charging what the customer is willing to pay". This had a mean score of (4.17) and ranked fourth in importance. However, "following competitors' price

(Islamic banks' competitors' price)", and "following competitors' price (conventional banks' price)" ranked the least in importance with a mean score of only (4.00) and (3.17) respectively.

Table 8.5 The importance of Pricing Policies to Islamic Banks as perceived by their Senior executives

Pricing Policy	Frequencies*					mean	Rank
	5	4	3	2	1		
1- pricing according to the <i>Islamic Shari'a</i>	6	—	—	—	—	5.00	1
2- full cost plus profit margin	4	2	—	—	—	4.67	2
3- pricing according to government regulations	4	2	—	—	—	4.67	2
4- other (charging what the customer is willing to pay)	2	3	1	—	—	4.17	4
5- follow competitors (Islamic banks' price)	1	4	1	—	—	4.00	5
6- follow competitors (conventional banks' price)	1	2	1	1	1	3.17	6

* 5 very important, 4 important, 3 uncertain, 2 not important, 1 not important at all.

The pricing policies reflect, then the interest of Islamic

banks in Jordan in their customers, and maintain the image of Islamic banking. This is evident from the fact that "pricing according to Islamic *Shari'a*" ranked first in importance in relation to all other pricing policies (mean score: = 5.00). Thus, Islamic banks in Jordan price their services in a way which helps increase the share of the market and increases return on investment while still maintaining and developing the image of Islamic banking, though not failing to abide by governmental regulations but yet taking into consideration the interests of their owners as well as their depositors by setting their pricing policies at full cost plus profit margin. This is evident from the findings of the survey in which, "pricing, according to Islamic *Shari'a*" and based on the (PLS) principle, ranked first in importance and "full cost plus profit margin" policy ranked second in importance. The latter is used mainly for pricing services on a commission basis such as letters of credit, letters of guarantee, transfers, bills discounted and so on.

The above findings indicate that Islamic banks in Jordan are initiators in pricing policies rather than imitators, This result is proved by regarding "follow the competitors pricing policies", whether Islamic banks' competitors or conventional banks' competitors to be the least significance to pricing policies.

8.3.3 Place (Availability of Islamic banks' services)

Place refers to the distribution of bank services i.e. to make services available to the customers. Islamic banks, like other conventional banks aim at making their services available and

convenient to their customers. There are several methods used by banks to help distribute the services of the banks and make these services available to their customers. They include:

- increasing the number of branches
- extending opening hours
- opening on Saturdays and Sundays
- increasing the number of the staff
- installation and increasing ATMs
- increasing the number of cashiers to reduce queuing
- and the introduction of credit cards..

The researcher used the above mentioned methods in addition to "other specify" category, to evaluate the importance of each , with respect to increasing the availability of Islamic bank services in Jordan. Opening on Saturdays or Sundays was replaced by opening on Friday mornings because Friday is the weekend in Jordan as in other Muslem countries. Both senior executives and branch managers were asked to rate the importance of each method in increasing the availability of Islamic bank services. Mean scores and ranking numbers of the responses were calculated Results are shown in Table 8.6.

It was found that the opinions of senior executives and branch managers were fairly similar in regard to the importance of methods used to increase the availability of Islamic banks' services. Both rejected the idea of "opening on Fridays" and considered it "not important" (mean scores: 1.5 and 1.69 for senior executives and branch managers respectively).

Table 8.6 The importance of methods considered in terms of increasing the availability of Islamic banks' services in Jordan as perceived by their executives and branch managers

Method	Branch managers' Opinions		Senior Executives' Opinions	
	mean	Rank	mean	Rank
1- increasing the number of branches	4.38	1	4.50	1
2- increasing the number of staff	4.00	2	4.17	2
3- increasing the number of cashiers to reduce queuing	4.00	2	4.17	2
4- the extension of opening hours	3.84	4	3.70	4
5- the introduction of credit cards	2.77	6	3.17	5
6- installation and increasing of the number of ATMs	3.30	5	2.67	6
7- opening on Friday mornings	1.69	7	1.50	7
8- Other specify	—	—	—	—

* 5 very important, 4 important, 3 uncertain, 2 not important, 1 not important at all.

This might be due to the fact that Jordan is an Islamic country where, no banks open on Fridays at all. It is rare enough to find shops which open on Fridays. Thus, this method ranked last in

importance.

There was a general agreement in the opinions of both groups of managers on the question of "the increase in the number of branches". This method ranked first in importance, followed by increasing the number of staff and of cashiers to reduce queuing. This ranked second in importance. Extending opening hours ranked fourth in the order of importance.

There was also an agreement between both sets of managers on the question of automation in general (i.e. the installation and the increase in the number of ATMs, and the introduction of credit cards). This agreement was of a lesser nature and they also ranked the two methods differently. The installation and increment of ATMs ranked fifth in the importance order by branch managers with a mean score of (3.3) , while senior executives ranked it sixth in importance with a mean score of 2.67. "The Introduction of credit cards" ranked sixth in importance by branch managers with a mean score of (2.77) and fifth in importance by senior executives with a mean score of (3.17)

In the space provided for "other specify", three out of thirteen branch managers stated that "changing work procedures to reduce queuing" was important. One branch manager regarded: "advertising and promotional campaigns to inform customers", a very important method.

In short, the findings indicate that "increasing the number of

branches" was considered the most important method; however, "opening on Fridays" and "automation (i.e. the installation and the increase of the numbers of ATMs plus the introduction of credit cards)", were considered the least important factors. It was also found that the opinions of both groups of managers reflected a desire to reduce queuing; Thus, "increasing the number of staff", "increasing the number of cashiers", and "the extension of opening hours" were considered important methods. Moreover, "changing procedures to reduce queuing" was considered important by three branch managers and was mentioned under the category of "other specify"; This could indicate that queuing is a problem faced by Islamic banks in Jordan very often, and the managers of these banks believe that it can be solved by the introduction of additional labour rather than automation; this may be due to the fact that automation has only recently been introduced to the banking system in Jordan, and Islamic banks staff are not yet trained on the use of automated processes. Increasing the number of branches was considered to be the most important method, as it is in the branches that services are bought and sold.

8.3.3.1 Branches in The Islamic banks in Jordan

There were 13 branches of the two Islamic banks in Jordan by the end of 1988. Of these, there were twelve branches of the Jordan Islamic bank and only one branch was the Jordan Finance House. Other branches are planned to be made in the near future for the Jordan Islamic bank, but the general manager of the Jordan Finance House stated that there were no current plans

with them to open further Islamic bank branches in the near future.

Islamic banks, like many other conventional banks in Jordan had not installed ATMs; Key officials of these banks thought it was a premature plan to think of introducing ATMs, as the customers of each branch tended mainly to reside in the areas where the branches were located. Thus, managers believed that there was no need to install ATMs within the near future. The policy of establishing branches, they believed, was a much better alternative. However, future could prove the reverse to, be the case, for some conventional banks in Jordan have recently introduced ATMs. These include Petra Bank, Grindlays Bank, and the British Bank of the Middle East.

In the decision of whether to open a branch or install an ATM several factors must be considered. Eleven factors were taken from the literature and included in the questionnaires of senior executives, as these are the policy makers. Senior executives' opinions regarding the importance of each on a five point scale ranging from "very important" to "not important at all" were given, and the mean scores and ranking numbers were calculated (see Table 8.7).

It was found that three factors attained the same mean score of (5.00) and were regarded as "very important". These ranked first in the order of importance, and were as follows:

- "Islamic obligation",
- "the regulations and approval of the Central bank", and
- "interest in long term business".

Table 8.7 Opinions of Islamic banks' senior executives in Jordan regarding the importance of some factors in decisions as whether or not to open new branches or to install ATMs

Factors	Frequencies*					mean Rank
	5	4	3	2	1	
1- Islamic obligation	6	—	—	—	—	5.00
2- interest in long term business	6	—	—	—	—	5.00 1
3- central bank regulations and approval	6	—	—	—	—	5.00 1
4- careful market assessment	5	1	—	—	—	4.83 4
5- patterns of customers	5	1	—	—	—	4.83 4
6- meeting competition	4	2	—	—	—	4.67 6
7- satisfying customers' needs	4	2	—	—	—	4.67 6
8- increasing market share	4	2	—	—	—	4.67 6
9- attractiveness of the location	1	5	—	—	—	4.17 9
10- increasing profitability	1	4	—	1	—	3.83 10
11- increasing return on investment (ROI)	1	4	—	1	—	3.83 10

* 5 very important, 4 important, 3 uncertain, 2 not important and 1 not important at all.

All other factors were considered important, but the degree of importance differed between the various factors. "Careful market assessments" and "patterns of customers" ranked fourth in importance with the same mean score of 4.83. However, three factors ranked sixth in importance with an equal mean score of 4.67, these being:

- "meeting competition"
- "the satisfaction of customer needs"
- "increasing the market share".

While "the attractiveness of the location", ranked only ninth in importance with a mean score of (4.17) ; On the other hand, two factors ranked as least important with a mean score of only (3.83) . These factors were "increasing profitability" and "increasing return on investment". These findings support previous findings viz., "developing and maintaining the image of Islamic banking" was of prime importance in relation to all other Islamic bank marketing strategies. This also proved true in terms of the various factors, such as the introduction of new services. pricing, and establishing of branches. "Islamic obligations" ranked first in importance when deciding to open a new branch.

Considering "Islamic obligations", and the "social responsibility of the bank" as the most important factors when deciding to open an Islamic bank branch supports the literature; on this topic, i.e. that bank location may never be considered on rational grounds. (Littlefield 1968). Branch locations are controlled by the government in most cases, and this is certainly the case in Jordan. This is reflected in Gobar's (1972)

argument that many bank location studies have been conducted more to convince bank examiners, to grant location applications than to assess strategically the quality of the location as a banking office. This is in direct contrast with the findings of marketing research literature (e.g Soemen , 1974 , Evans ,1979, Olsen and Lord ,1979 , Kaynak and Yavas , 1985 and many others)

Islamic banks did not develop and use quantitative techniques for optimal location of bank branches. The success or failure of the branch depends mainly on its management, thus, the role of the branch manager is discussed below;

8.3.3.2 The role of the branch managers

Branch managers as field officers play a significant role in creating bank services. Smith (1984) argues that branches must become sale offices, and that this requires a major redirection of bank thinking. Watson (1984) believes that the branch and its management are central to any marketing activity, and their attitudes towards marketing is a crucial factor as to whether or not it is adopted. Islamic branch managers' opinions regarding their role, the activities perceived of as important to Islamic banks, the characteristics of a good branch manager and the importance of their recommendations to head office were investigated. The findings are discussed here below:

8.3.3.2.1 The characteristics of a good branch manager

Nine possible characteristics of a good branch manager were

taken from the literature and included in the questionnaire. Branch managers were asked to rate the importance of each on a five point scale. Table 8.8 shows that branch managers regarded "selling ability", and "ability to dealing with customers" as the most important characteristics of a good branch manager. These two characteristics ranked first in importance with an equal mean score of (5.00) . This result implies that Islamic bank managers recognize the need for a degree of selling ability, and that therefore, selling should be included in any training programme. "The knowledge of the general economic and financial situation of the country" was also regarded as an important characteristic with a mean score of (4.92) and ranked third in importance. "Being a graduate of business administration" was regarded as the least important characteristic with a mean score of (3.08). This might be due to the fact that most of the respondents (branch managers) were not graduates in business administration themselves. Only six out of the thirteen branch managers were found to be graduates of business administration. Accounting or economics, while the rest had left school after secondary level and had worked there after in banking. Some had achieved diplomas (two years after secondary schooling) in banking or in other fields. The six bank managers who were university graduates cited that "being a graduate of business administration" was an important characteristic, and two branch managers were holding diplomas in English language or banking activities were uncertain. The five secondary school leavers regarded it as "not important".

Table 8.8 The characteristics of a good bank manager as perceived by branch managers

Characteristics	Frequencies*					mean	Rank
	5	4	3	2	1		
1- an ability to deal with customers	13	—	—	—	—	5.00	1
2- a selling ability	13	—	—	—	—	5.00	1
3- a knowledge of the general economic and financial situation in the country	12	1	—	—	—	4.92	3
4- a knowledge of services offered by competitors	9	4	—	—	—	4.69	4
5- an interest in new customers	8	5	—	—	—	4.61	5
6- knowledge of the service costs of the bank	7	5	1	—	—	4.46	6
7- an ability to sell new services	7	5	1	—	—	4.46	7
8- knowledge of customer problems	6	6	1	—	—	4.38	8
9- a degree in business administration	—	6	2	5	—	3.08	9

* 5 very important, 4 important, 3 uncertain, 2 not important and 1 not important at all.

These results indicate that branch managers views towards being a "graduate of business administration" depend upon their

own background.

8.3.3.2 .2 The general role of branch managers

The role of the branch managers as perceived by bank managers themselves, can be shown from their responses to the statements scattered in part two of the questionnaire, which were taken from literature. The mean scores of the responses to each statement, are shown in Table 8.9.

It was found that branch managers responses to all the three statements were similar. These statements were regarded as important, with mean scores ranging from 4.08 to 4.31. The following statement had the highest mean score ($\bar{X} = 4.31$.)

"The most potentially useful person to promote bank services is the branch manager.", while, " Communication between the branch manager and his customer is fundamental to the growth of the marketing role of the branch manager", ranked second in importance with a mean score of 4.23 . However, "the branch manager should act as a source of marketing information in order to market the bank services appropriately" had a mean score of (4.08). These results suggest that branch managers perceive themselves as promoters of bank services; believe in customer contact, and in market research. This is a good indication of their acceptance of the role of sale officers, and reinforces the previous implications that any Islamic bank marketing strategy should include "training on selling".

Table 8.9 : The role of branch managers as perceived by Islamic banks' branch managers in Jordan

Statement	Frequencies*					mean score
	5	4	3	2	1	
1- The branch manager should act as a source of marketing information in order to market the banks' services appropriately.	5	6	—	2	—	4.08
2- The most potentially useful person to promote the banks' services is the branch manager.	4	9	—	—	—	4.31
3- Communication between the branch manager and his customer is fundamental to an increased marketing role of the branch manager.	7	5	—	—	—	4.23

* 5 very important, 4 important, 3 uncertain, 2 not important and 1 not important at all.

8.3.3.2.3 The activities perceived of as important for Islamic banks by branch managers

Islamic branch managers were asked about their opinions in regard to the importance of some of the main activities *vis-à-vis* Islamic banks. The mean score of the responses to each statement is shown in Table 8.10. It was found that branch managers consider "improving service quality" and "establishing convenient locations" to be the most important activities to the Islamic Banks with a mean score of (4.85). These two activities ranked first in importance, followed by another two areas of importance which also shared the same mean score of (4.31), and ranked third. These areas are :

- a- increasing return on investment s, and
- b- training employees in other departments to sell bank services .

However, the response to the following statements:

"achieving the lowest possible charges", and "paying more attention to promotional efforts" ranked least in importance with mean scores of (4.15), and (3.84) respectively .

Table 8.10 : The importance of some of the main activities of Islamic Banks as perceived by the Branch Managers

Statement measuring the activity	Mean score	Rank
1. Improving Service Quality	4.85	1
2. Establishing Convenient Location	4.85	1
3. Increasing the Return On Investment	4.31	3
4. Training Employees In Other Departments To Sell Bank Services.	4.31	3
5. Achieving The Lowest Possible Charges	4.15	5
6. Paying More Attention To Promotional Efforts.	3.84	6

5 very important ,4 important ,3 uncertain, 2 not important ,1 not important at all.

3.3.2.4 The time spent on tasks by the Branch Managers :

Twelve respondents out of thirteen answered the question relating to the time spent on each task. Moreover, some branch managers did not tick some of the choices as shown in Table 8.11.

Table 8.11 Percentages of time spent on certain tasks by the Branch Managers .(N = 13)

Tasks	Percentages					Mean*	Rank
	5	10	15	20	25 &+		
1. Managing the staff	0	0	6	2	4	3.83	1
2. Investment control	1	3	3	3	2	3.17	2
3. Knowing the customers financial position	1	8	3	0	0	2.17	3
4. winning customers from other banks.	4	5	2	1	0	2.00	4
5. opening new accounts	3	9	0	0	0	1.75	5
6. selling particular services to particular customers	5	5	0	0	0	1.50	6
7. gathering and reporting information to head office.	1	3	3	3	2	3.17	2

- only 12 managers responded to this question, 10 responded to statement no. 3 , and 9 responded to statement no.6.

*N.B . For the purpose of calculating the mean ,5 =25 % and above ,4 = 20 % . 3 = 15 % ,2 = 10 % , 1 = 5 %

It was found that more time is spent by the branch managers on "managing the staff", and then "controlling investment". This is followed by "knowing the customers' financial position " , and "winning customers from other banks' ".After these, we have "opening new accounts". less time is spent on "selling particular services to bank customers " , and " gathering and

reporting market information to head office". These results seem to contradict previous findings in which that "the branch manager should act as a source of marketing information in order to market the bank services appropriately" was considered important by them with a mean score of (4.08). The possible explanation for this would be that even this activity is important it does not need too much time compared with other daily routine work.

The opinions of the senior ^{ec} executives were explored regarding the importance of these tasks to branch managers. Four areas were found to be considered very important by them, these being "managing the staff", "knowing the customers financial position", "controlling investment", and "gathering and reporting information to head office".

It was found that both senior executives and branch managers agreed on the degree of importance of the first three tasks, but differed regarding the task of "gathering and reporting market information to head office". Branch managers perceived this task as the least important one, whilst senior ^{ec} executives regarded it one of the most important areas. This might be due to the fact that senior executives are policy makers require more information about the market to facilitate their work, thus regarded this activity as important, while branch managers are burdened in the routine work to get things done, thus this activity is considered of least important. "opening new accounts was rated fifth in importance by senior ^e executives followed by "selling particular services to particular customers", while "

winning customers from other banks "was considered the least important task. It is worth mentioning that the grand mean score as perceived by senior executives ranges from (4.33) for the least important one to (5.00) ,which actually means that all are considered important .

8.3.3.2.5 The recommendations of branch managers to top management

Branch managers were asked to rate the importance of their recommendations to top management as perceived by them on a five point scale; mean scores and ranking were calculated. and shown in Table 8.12:

It was found that their recommendations to top management regarding "training staff" was considered the most important, with a mean score of (4.54). This was followed by "conducting market research". This is seen to contradict earlier findings, i.e. that the least time is spent by them on this area of activity. "Recommendation regarding "promoting staff" was considered important and its mean score was (4.08) , ranking third in importance. This was followed by recommendations regarding "the rendering of new services", "cost minimization", "changing pricing policies", and "advertising and promotional activities". Their recommendations regarding these areas were considered the least important ones.

Table 8.12 : The importance of Branch Managers' Recommendations to Top Management as perceived by the branch managers .

Areas of recommendations	5	4	3	2	1	mean	Rank
1. Training Staff	7	6	-	-	-	4.54	1
2. Conducting Market Research	4	7	2	-	-	4.15	2
3. Promoting Staff	3	8	2	-	-	4.08	3
4. Rendering New Services	4	5	3	1	-	3.92	4
5. Cost Minimization	2	5	6	-	-	3.69	5
6. Charging Pricing Policies	1	6	5	1	-	3.54	6
7. Advertising and Promotional Activities	1	7	3	2	-	3.54	6
8. Introducing ATMs	-	5	6	2	-	3.23	8
9. Opening New Branches	1	2	8	2	-	3.15	9

5 very important , 4 important , 3 uncertain , 2 not important , 1 not important at all .

It was also found that under the alternative "other specify", five branch managers indicated that "to conduct periodic meetings of officials from all branches to discuss matters deemed important", was important (two rated that it as "very important" and three as "important"). These findings might

indicate that communication between branch managers is not efficient and they need to discuss their problems in a more direct manner.

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It was also found that under the alternative "other specify", five branch managers indicated that "to conduct periodic meetings of officials from all branches to discuss matters deemed important", was important (two considered it as "very important" and three as "important"). These findings might indicate that communication between branch managers is not efficient and they need to discuss their problems in a more direct manner.

8.3.4 Promotion

8.3.4.1 Promotional objectives of Islamic banks

Promotion is one of the four main "P"s of marketing. It helps

to inform, remind and persuade customers to buy the product or service. Advertising is widely used as a promotional media to achieve various objectives. Several advertising objectives were mentioned in the literature, and eight of these in addition to other specify" were used in the questionnaire. Senior executives of Islamic banks were asked to rate the importance of each on a five point scale ranging from "very important" to "not important at all". The mean scores of the responses and ranking numbers were calculated. and shown in Table 8.13 .

It was found that "to build positive bank image" and "to inform customers about new services "ranked first in importance among the advertising objectives of Islamic banks as perceived by the senior executives, achieving a mean score of 4.67. However, five advertising objectives were found to have the same mean score of (4.50) and ranked third in importance. These were:

- "to inform customers about existing bank services",
- "to attract new customers",
- "to increase customers' usage of bank service packages",
- "to maintain and increase customers' loyalty", and
- "to build familiarity with the bank services packages".

While "to counter competitive messages and expenditures ranked eighth in importance, and was thus considered the least important of all the advertising objectives.

Table 8.13 The importance to Islamic banks of advertising objectives as perceived by their senior executives

Advertising objectives	Frequencies*					mean	Rank
	5	4	3	2	1		
1- to inform customers about new services	4	2	--	--	--	4.67	1
2- to build positive bank image	4	2	--	--	--	4.67	1
3- to inform customers about existing bank services	4	2	--	--	--	4.67	1
4- to increase customers' usage of bank services	3	3	--	--	--	4.50	3
5- to maintain and increase customers' loyalty	3	3	--	--	--	4.50	3
6- to attract new customers	3	3	--	--	--	4.50	3
7- to build familiarity with bank services packages	3	3	--	--	--	4.50	3
8- to counter competitive messages	3	2	1	--	--	4.33	8

* 5 very important, 4 important, 3 uncertain, 2 not important, 1 not important at all.

8.3.4.2 The Frequent use of the Advertising and Promotional Media

The researcher was also interested in knowing "How often do Islamic banks use the advertising and promotional media?" Senior executives were asked to rate the frequent use of several advertising and promotional media on a five point scale ranging from "very often" to "never"; the mean scores of the responses were calculated, results are shown in Table 8.14.

It was found that "brochures and leaflets", and "In-branch posters" achieved equal mean score of (5.00) i.e, 100 percent of the senior executives believed that these media are very often used. Thus these two advertising media were considered the most frequently used advertising and promotional media and ranked first in the frequent use of advertising and promotional media by the Islamic banks.

This can be seen on entering any branch of these banks. One notices many posters containing "*Qur'anic* verses" which reflects the image of the bank as an interest-free bank operating on an Islamic basis. However, "public relations" had a mean score of (4.50) and ranked third in the frequent use of advertising and promotional media of Islamic banks. This might be due to the integration of the marketing activities with the public relations' departments. "Personal selling" had a mean score of (4.17) and ranked fourth in terms of the frequent use. The mean score for "magazine and newspaper" was (3.67) and

ranked fifth. Islamic banks tend rarely to use the following advertising and promotional media since their mean scores were less than (3.00) These seldom used medium were:

- direct mail ($\bar{X} = 2.83$)
- give away gifts ($\bar{X} = 2.00$)
- the sponsoring of sports and other events ($\bar{X} = 1.83$)
- T.V. and radio advertising ($\bar{X} = 1.83$)

It is evident from the above findings that Islamic banks were not using advertising, the sponsoring of sports and other events, give away gifts or direct mail very often as means of promotional media. Indeed, they were rarely used.

It is also worth mentioning here, that the use of T.V. and radio advertising was regarded by senior executives as a rarely used means. Five out of six senior executives stated that this medium was rarely used, while the sixth stated that it was never used at all. When the researcher asked two key officials of these banks (Interview with Mr Saleh ElShantir of The Jordan Islamic Bank, and Mr Dawood Jaafar Of The Jordan Finance House at their offices on June 23 ,24 , 1988 respectively.) about the lack of interest in the use of advertising (T.V and radio) their answers were similar, customers come to the bank without a need for advertising because they know that it is an Islamic bank. This could indicate that Islamic banks in Jordan tend to wait for the customers to come to them rather than aggressively seeking them out through advertising.

Table 8.14 The frequent use of advertising and promotional media by Islamic banks in Jordan as stated by their senior executives

Media	Frequencies*					mean	Rank
	5	4	3	2	1		
1- In branch posters	6	—	—	—	—	5.00	1
2- Brochures and leaflets	6	—	—	—	—	5.00	1
3- Public Relations	3	3	—	—	—	4.50	3
4- Personal selling	1	5	—	—	—	4.17	4
5- Magazines and news papers	2	2	—	2	—	3.67	5
6- Direct mail	2	—	—	3	1	2.83	6
7- Give away gifts	—	—	1	4	1	2.00	7
8- T.V. and radio advertising	—	—	—	5	1	1.83	8
9- Sports and other events sponsoring	—	—	—	5	1	1.83	8

* 5 very often, 4 often, 3 uncertain, 2 rarely, 1 never.

8.3.4.3 Advertising budget

No detailed policy regarding the advertising budget in Islamic banks was noticed. Senior executives' responses to the following question supports this idea.

"How does your bank determine the amount to be spent on advertising?"

The following six choices were used to answer the above

mentioned question:

- We spend only what we can afford.
- We spend as much as our competitors.
- We spend in accordance with the marketing objectives of the bank.
- We spend a percentage of deposits
- We spend a percentage of profit.
- "other specify"

Hundred percent of the respondents answers were: "according to the marketing objectives of the bank". This is a more general answer than the other alternatives, and might reflect the inability of the senior executives to determine the amount to be spent on advertising, especially as we know from the above findings that advertising is rarely used.

Some of the findings support those of the literature, whilst other findings contradict them, "Building a positive bank image" was the most important advertising objective and this supports the findings of many writers. Banks use promotion to create an image for the bank, and to establish and maintain a distinctive place for it and its various services in the market, in order to be successfully positioned. Shostack (1987) argues that advertising and promotion are powerful forces in the positioning process. Timberman (1985) stresses the idea that positioning is central to the success or failure of any business venture. The importance of creating a favourable image is recognized by many writers (e.g Johnson ,1969, Wasem,1971, Levy, 1971, Landor, 1973, Fingan,1982, and many others). The importance

given to image building is due to the notion that potential bank customers have limited personal experience upon which to base their selection of a bank, and they may therefore, rely on bank image. Thus, the Midland bank attempts to promote itself as "the listening bank" and Barclays bank identifies itself as "the action bank". The image a company has is also important in terms of positioning, segmentation and the development of a marketing strategy.

Unlike, the findings of the literature, the usage of advertising by Islamic banks was found to be rare. T.V. and radio advertising was found to be a rarely used medium, which is contrary to the findings of Stafford and King (1983). They state that banks have become noticeable by their aggressive promotion via radical change in style and form of advertising. They have also increased their advertising expenditure and have increased their use of television. Berry (1983) argues that advertising will continue to be important in bank marketing. Treasure (1975) states that advertising is the public voice of marketing policy, while Wright (1972) remarks that advertising is "a fascinating element in the marketing mix". The insufficient emphasis given to advertising as a promotional media by Islamic banks carries several implications for future marketing strategies.

8.3.4.4. Personal selling

Personal selling is a prime marketing tool for most service firms and banks are no exception. This notion is stressed by

many writers, including Berry and Donnelly (1975, p 157, Mainwaring, 1975) , Meidan, 1984, Lovelock, 1984 :pp. 339-347, and Reidenbach and Pitts, 1986 Ch. 1).

Unfortunately banks do not recognize the role of personal selling (Baker and Elsahn, 1984, Johnson 1981). Since bank employees are reluctant to sell, they do not like this idea. Mainwaring (1975) relates this attitude to the experience and past training of bank employees which encourages an attitude placing selling in the category of activities described as "not for us".

The researcher was interested to explore the opinions of Islamic bank managers towards marketing training to explore the importance of training on personal selling. Question No. 19 in part I of the senior executive questionnaire asks:

a. Does your bank have a marketing training policy?

Yes No

b. Who benefits from the training programmes?

- senior managers
- head office staff
- Branch manager
- branch staff
- students
- other specify

c. What kind of training programme have you designed for each group?

d. Where is the market training conducted?

- inside the bank
- outside the bank
- inside and outside the bank

The responses to these questions indicated that Islamic

banks do have a marketing training policy, since all respondents stated that this was the case. Furthermore, all categories of employees benefit from the training programmes conducted by Islamic banks, including students of the Jordan University.

Training is conducted both internally and externally, and bank staff and students receive training. Managers of Islamic banks at both levels receive training on management and banking. Head office staff and branch staff are trained essentially in banking activities. Islamic banks train students from Jordan university for short periods of time not exceeding one month on bank operations.

Marketing courses, and personal selling in particular are not included in their marketing training programmes. Islamic bank managers see the training of staff as concerned essentially with banking activities, and that of managers on banking and management activities. Hence, Islamic banks do not recognize the role of personal selling; they place this in the category of activities described as "not for us". This supports what was found in the literature. It is also shown by the fact that "personal selling" ranks only fourth in importance, in the ranking of frequency of use as expressed by senior executives. This does not mean that training staff on banking activities is undermined but on the contrary, the training on banking activities is in fact, very important, for, it serves to produce high quality banking services. White (1983) is right when he says: "No bank marketer is worth his salt unless he knows banking". Thus, Islamic banks should direct their training

programmes to include training bank staff on personal selling, for we find that Islamic bank executives ignored the need for training on selling. This supports Eanes' (1975) findings that personal contact in banking is of paramount importance, Wilson (1984 : 188) stresses that customer contact requires a degree of selling ability on the part of staff. Selling is a learned skill, and hence, should be taught. This has implications for any marketing strategy for Islamic banks in Jordan.

8.4 Summary

This chapter presents the findings of the research study regarding the opinions of Islamic bank managers towards marketing strategies, market research, marketing mix and the role of Islamic banks' branch managers.

It was found that Islamic banks in Jordan do conduct market research in several areas; this is done partly by their staff and partly by outsiders. In rare cases the work is jointly undertaken by bank staff and outsiders. The main areas frequently researched by Islamic banks were found to be :

- "the appraisal of customer satisfaction", and
- "the insurance of compliance of Islamic banks activities with Islamic *Shari'a*".

Areas rarely researched were found to be "the need for ATMs and their locations", "service user surveys" and "pricing studies".

Some differences in the opinions of Islamic banks' senior executives and their branch managers towards market research were found ,although both had favourable attitude towards market research.

As regards the marketing strategies in Islamic banks, the four "P"s were investigated. It was found that the most important factors that Islamic banks in Jordan considered when introducing a service, were "to maintain and develop the image of Islamic banking", "being in conformity with existing services", and "to attract new customers". While the least important factor was "recommendations from staff at branch level".

It was also found that services once introduced were rarely deleted.

The pricing policies of the Islamic banks differ from those of other conventional banks. "Pricing in accordance with Islamic *Shari'a*", was found to be the most important pricing policy, followed by "full cost plus profit margin" and "pricing according to government regulations".

Pricing objectives were found to be "to improve the share of the bank market" which was the most important objective, followed by "to increase return on investment".

Islamic banks in Jordan were found to be initiators rather than imitators in their pricing policies. Islamic banks strategies regarding the availability of Islamic bank services

were found to concentrate on "increasing the number of branches, number of staff and number of cashiers in order to reduce queuing. Queuing was found to be a problem, managers believed that it could be reduced by introducing labour, rather than through automation. This might be due to the fact that automation has been only recently introduced to the banking system in Jordan. The installation of ATMs and the introduction of credit cards was therefore, amongst the availability of bank services. The idea of opening on Fridays was rejected by both groups of managers and was considered the least important factor in increasing the availability of bank services.

"An interest in long term business", "Islamic obligations", and "central bank approval and regulations" were found to be the most important factors to be considered in opening a branch.

In regard to promotion, it was found that "the building of positive bank image", and "informing customers about new services were the most important advertising objectives of Islamic banks, while the least important advertising objectives was "to counter competitive message and expenditures".

Islamic banks use brochures, leaflets, and advertising medium. The rarely used promotional channels were "T.V. and radio advertising, the sponsoring of sports and other events, and give away gifts". No clear policy regarding the advertising budget was found: the response of executives tended to be to spend according to the marketing objectives of the specific bank.

A good branch manager was seen, in the view of branch managers themselves, to be "able to sell" and "able to deal with customers". However, being a graduate of business administration was regarded as being of less importance. Branch managers see themselves as the most potentially viable persons to promote bank services. Branch managers spend most of their time on managing staff and on controlling investment. Their recommendations to top management were regarded and perceived as important more in the areas of "training staff, conducting market research and the promotion of staff; their recommendation regarding both the opening of new branches and the introduction of ATMs were considered of less importance.

Training programmes were conducted both within and outwith the bank for all groups of managers, staff and students. These programmes included training on banking activities and management for managers. Training ground selling skills was not considered.

Chapter Nine

Islamic Banks Customers Survey: Customers' Banking Habits

9. Introduction

The purpose of this chapter is to explore the main attributes of Islamic banks' customers in Jordan, and to present the findings of the research relating to the segmentation of those customers according to their banking habits (i.e. certain customers would have already acquired their banking habits before dealing with the Islamic banks, whereas others would have been introduced to the banking industry for the first time). The influential role of Islamic banks on the banking habits of their customers and the period of time within which the customers first learnt about the Islamic banks in Jordan prior to answering the questionnaire are also presented.

More specifically, this chapter aims at answering the following questions:

- 1- What are the main personal attributes of Islamic banks' customers in Jordan (i. e. personal attributes in terms of sex, age, marital status, education, and income) ?
- 2- What are the segments of Islamic banks' customers according to their banking habits ?
- 3- When did Islamic banks' customers first know about the Islamic banks in Jordan?

A survey using a mailed questionnaire was distributed to a

sample of 800 customers of all branches of the two main Islamic banks in Jordan. The findings of the study in regard to the above questions may be summarized in four sections viz.,

- I Main personal attributes of Islamic banks' customers
- II Banking habits of Islamic banks' customers
- III Period within which customers first knew about Islamic banks
- IV Summary.

The following is a discussion of the findings concerning each section, utilizing the statistical techniques of the chi square and correlation.

9.1 The main personal attributes of Islamic banks' customers in Jordan

9.1.1 Sex

The sample showed that the majority of the customers were male; 86.3 percent of the sample were male, and 13.7 percent were female as shown in Table 9.1. The fact that more males than females were found to be dealing with these banks might be due to the Jordanian culture which, like other Arab and Muslim cultures holds the male responsible for the family needs (i.e. he is the bread winner). Thus, all savings, financial needs and services required by the family have to be made available by the male, whether he is a husband, a father, or a brother. Hence, he opens the accounts, saves with the bank and does all the

Table 9.1 Distribution of Islamic banks customers according to their sex.

Sex	Frequencies	
	N	%
Male	403	86.3
Female	64	13.7
Total	467	100

banking transactions in his name. The woman's financial responsibility towards the family is very limited; Therefore, women dealing with banks in Jordan are still very few, and the majority of them are not married, It was found that 96.9 percent of the female customers of Islamic banks were single, as can be seen from Table 9.2

Table 9.2: The marital states of Islamic banks' customers and their sex

Marital status	Male		Female		Total	
	N	%	N	%	N	%
Single	92	21.8	62	96.9	150	33.0
Married	311	77.2	2	3.1	313	67.0
Total	403	100.	64	100	467	100

Chi square = 133.677 D. F = (1) Significance = 0.000

The table shows that about two thirds of the customers were married , while about one third were single. Of the married customers about 99.4 percent were male, and only 0.6 percent

were female, while 96.9 percent of the female customers were single. Based on these results, the following question can be raised:

"Is there an association between the marital status of Islamic banks' customers and their sex ?"

The chi square test of significance was found to be statistically significant ($X^2 = 133.677$, $P = 0.000$), and indicates that customers differ according to marital status and sex. This supports the findings that married women are less likely to deal with the Islamic banks, while married men are more likely to deal with them. The implication of these findings for the Islamic banks' marketing strategy is that these banks would do well to concentrate their promotional strategies on the single female and the married male. An aggressive marketing strategy could be used to hit the less tapped female market in Jordan.

9.1.2 Age:

Islamic banks' customers were found to be of different age groups. 30.4 percent of them were less than 25 years old ,while 21.6 percent were (25 years to less than 35 years) and 25.9 percent were in the age group of (35 to less than 45 years). This means that a total of 77.9 percent of the customers is less than 45 years old as shown in Table 9.3 below.

Table 9.3: Frequency distribution of Islamic banks customers age group

Age group	Frequencies	Cummulative percent	percent
- Less than 25 years	142	30.4	30.4
- 25 years to less than 35 years	101	21.6	52.0
- 35 years to less than 45 years	121	25.9	77.9
- 45 years to less than 55 years	93	19.9	97.9
- 55 years and above	10	2.1	
Total	467	100	100

Mean = 34.175 years

The above table shows that the majority of the customers were young, below 45 years old (mean = 34.175 years). Thus the marketing strategy of Islamic banks in Jordan should concentrate on the young, since literature shows that once the individual has become a bank customer, he/she rarely shifts to other banks. Therefore, age could be one of the implications of the Islamic banks' marketing strategies. Gain them young and they will be yours for ever.

More than half of the female customers were found to be in the first age group (i. e. less than 25 years old), and about 31.2

percent of them were in the third age group, while male customers were found in all age groups in the ratios of 23.8 percent to 27.1 percent, as shown in Table 9.4 below:

Table 9.4: Distribution of the the age groups of Islamic banks customers according to their sex.

Age group	Sex				Total	
	Male N	Male %	Female N	Female %	N	%
- Less than 25 years	109	27.1	33	51.6	142	30.4
- 25 years to less than 35 years.	97	24.1	4	6.3	101	21.6
- 35 years to less than 45 years.	101	25.0	20	31.2	121	25.9
- 45 years and above	96	23.8	7	10.9	103	22.1
Total	403	100	67	100	467	100

Chi square = 23.997 D. F = 3 significance = 0.000

To test whether there is a significant association between the age group of customers and their sex, the chi square test of significance was computed and found to be statistically significant ($X^2 = 23.997$, $P = 0.000$). These differences between male and female customers according to age groups might indicate that the female customers who were mainly found in the first age group had just recently entered the work force after being graduated and were not yet married. This is

reflected in their levels of education. About 44.4 percent of the females were holding university degrees, and none has less than secondary schooling. This makes the female segment of customers a potential target market for the Islamic bank marketing strategies.

9.1.3 Educational levels of customers

The female customers were found to be more educated than the male ones. 54 percent of the females have secondary certificates and 44.4 percent of them have university degrees, while 48.1 percent of the males have secondary certificates and 22.1 percent of them have university degrees, as shown in Table 9.5 below.

Table 9.5: Educational level of customers and their sex

Sex	Educational levels								N = 466	
	Less than Secondary certificate		Secondary certificate		Community college		Univ. and above		Total	
	N	%	N	%	N	%	N	%	N	%
Male	63	15.6	194	48.1	57	14.2	89	22.1	403	100
female	—	—	34	54.0	1	1.62	84	4.4	63	100
Total	63	13.5	228	48.9	58	12.4	117	25.2	466	100

Mean score: Male = 2.426 , Female = 2.905

$X^2 = 27.978$ D. F = 3 P = 0.000

The mean score was calculated for the level of education of both male and female customers based on rates ranging from 1-4, 1 for less than secondary schooling and 4 for university graduates and above. Female customers' mean score was higher than male ($X = 2.905$ for female, $X = 2.426$ for male), which indicates that the female customers are more educated than the males; chi square was found to be significant ($X^2 = 27.978$, $P = 0.000$). This proves once again that the female segment of customers could be potential target market for the marketing strategies of the Islamic banks. Islamic banks could apply an aggressive promotional strategy directed towards schools and universities.

9.1.4 Annual income of the customers and their sex

It was found that 38.8 percent of the customers were in the lower annual income group (i.e. below J. D 3000 annually), 27.9 percent were in the second group (J. D 3000 - less than J. D 6000), while only 14.4 percent, were in the income groups of J. D 6000 to less than J. D 9000 and 18.9 percent in the income group of J. D 9000 and more. More than two thirds of the female and one third of the male customers were in the first lower income group as shown in Table 9.6 below.

The chi square test of significance was computed to find out if there is a significant association between the annual income of customers and their sex, and was found to be statistically significant ($X^2 = 26.999$, $P = 0.000$), which indicates differences in the annual income of customers according to

their sex. This might be due to the cultural values whereby the male is the breadwinner. Thus his annual income would be more than that of the female. This has implications for Islamic banks' marketing strategy.

Table 9.6: Annual income of customers according to their sex

Sex	Annual income								N = 466	
	Less than 3000 J. D		3000 < J. D < 6000		6000 < J. D < 9000		9000 & above		Total	
	N	%	N	%	N	%	N	%	N	%
Male	138	34.2	122	30.3	63	15.6	80	19.9	403	100
Female	43	68.2	8	12.7	4	6.4	8	17.2	63	100
Total	181	38.8	130	27.9	67	14.4	88	18.9	466	100

Chi square = 26.999 D.F = 3 Significance = 0.000

9. 1. 5 Marital Status of The Customers and Their Age

Customers in the sample were asked to state whether they are single, married or other (divorced or widowed). Only four respondents were found to belong to another category (i.e. divorced or widowed). Therefore, and for statistical analysis, they were recoded under the single category.

The findings showed that about two thirds of the customers were married, while one third was single. The majority of the

marked, and were reflected in the positive correlation found ($\tau = 0.326$, $P = 0.000$) which indicates that the higher the age group, the greater was the number of the married customers. This result is normal in the Arab culture, because rarely does one find a person, especially male, who is not married by the age of 45.

9.1.6 Marital Status and Educational levels

The majority of the customers whether they were married or single, were found to be in the second and fourth level of education; 65.3 percent of the single customers, and 40.9 percent of the married ones have secondary certificates, while 25.5 percent of the single customers and 24.9 percent of the married ones have university degrees, as shown in Table 9.8 below.

Table 9.8 Marital status and educational levels of customers

Marital Status	Less than Secondary schooling		Educational levels							
			Secondary certificate		Community college		Univ. and above		Total	
			N	%	N	%	N	%	N	%
Single	4	2.7	100	67.3	10	6.5	39	25.5	153	100
Married	59	18.9	128	40.9	48	15.3	78	24.9	313	100
Total	63	13.5	228	48.9	58	12.4	117	25.2	466	100

Chi square = 39.014 , D. F = 3 P = 0.000

A statistical significant association was found between the marital status of the customers and their educational levels. ($X^2 = 39.014$, $P = 0.000$).

9.1.7 Marital status and annual income

About two thirds of the customers were found to have an annual income of less than J. D 6000 per customer or 83.3 percent of the single customers, and 58.8 percent of the married ones. While one third of the customers has an annual income of J. D 9000 per customer. Or 23 percent of the married customers, and 10 percent of the single ones. About 38.8 percent of customers or 67.1 percent of the single customers, and 25.9 percent of the married ones. were found to be of lower income i.e. less than J. D 3000 per customer. The percentage of single customers who are in the lower income bracket is greater than the percentage of married ones, while the percentage of married customers in the higher income brackets is greater than that of single ones, as can be seen from Table 9.9 below.

A statistical significant correlation was found between the marital status and the annual income of customers. ($\tau = 0.320$, $P = 0.000$). this indicates that the number of the single customers decrease as their annual income increases thus they got married .

Table 9.9: Marital status and annual income of customers

Marital Status	Annual income								Total N %	
	Less than 3000 J.D		3000/less than 6000		6000/less than 9000		9000 & above			
	N	%	N	%	N	%	N	%		
Single	100	65.	27	17.6	10	6.5	16	10.5	153	100
Married	81	25.9	103	32.9	57	18.2	72	23.0	313	100
Total	181	38.8	133	27.9	67	14.4	88	18.9	466	100

Chi square = 68.127 D. F = 3 Significance = 0.000

Kendall TAU-B = 0.321 Significance = 0.000

9.1.8 Age group of customers and their educational level.

More than 77 percent of the customers in all age groups had attained secondary education level or above but, they differed from one age group to another. The highest level of education was found in the first age group (i. e. the youngest), and 40.4 percent of this age group had a university degree, while the lowest level of education was found in the upper age group (45 years and above), as shown in Table 9.10 below.

An inverse significant correlation was found between age groups and the educational levels of customers. The correlation was statistically significant. ($\tau_{ab} = -0.176$, $P = 0.000$). This

implies that customers might be interested in education while they are young , once they grow up they are not likely to

Table 9.10: Age group of customers and their educational levels

Age group	Less than Secondary		Secondary Certificate		Community College		Univ. and above		Total	
	N	%	N	%	N	%	N	%	N	%
-Less than 25 Years	6	4.3	74	52.5	4	2.8	57	40.4	141	100
-25 Years to Less Than 35 Years	14	13.8	40	39.6	35	34.7	12	11.9	101	100
-35 Years to Less Than 45 Years	20	16.5	63	52.1	6	5.0	32	26.4	121	100
-45 Years and Above	23	22.3	51	49.5	13	12.6	16	15.6	103	100
Total	63	13.5	228	48.9	58	12.5	117	25.1	466	100

Chi Square = 98.087 D.F.= 9 P = 0.000

Kendall TAU B = - 0.176 Significance = 0.000

increase their educational levels. The implication of this result for the marketing strategies of the Islamic banks in Jordan is that they would do well to hit the young target market, invade schools and universities in their promotional strategies to capture this segment of the market while it is young.

9.1.9 Age groups of customers and their annual income

It is not strange to find that the largest number of customers in the first category of age group constitutes a large proportion of the total number of customers in the lowest annual income bracket. It was found that 87 customers or 61.7% of the total customers in the age group of less than 25 years had annual incomes of less than J. D 3000 per customer, while only 8 percent of this age group had annual incomes of J. D 9000 and above per customer. This may be due to the fact that this age group has been newly introduced to work.

Table 9.11 shows the distribution of annual income according to age groups. The chi square test of significance was found to be statistically significant concerning the relationship between annual income and age group of the customers ($X^2 = 65.22$, $P = 0.000$), and it was found that there is a positive correlation between the annual income and the age groups of customers as one might expect .

The correlation was statistically significant ($\tau_{au} 0.170$, $P = 0.000$). Therefore, targeting the young segment of the market is potentially a highly beneficial marketing strategy for Islamic banks. Once young customers grow up, their income also grows up, and their savings and financial needs will be increased. Thus, Islamic banks could gain this segment of the market.

Table 9.11: Age groups and annual income of customers

N= 466

Annual income per customer											
Less than 3000/less 6000/less 9000 & above Total											
Age group	3000 J.	D	than 6000	than 9000							
group	N	%	N	%	N	%	N	%	N	%	
<hr/>											
- Less than 25 years	87	61.7	23	16.3	19	13.5	12	8.5	141	100	
-25 years to less than 35 years	32	31.7	31	30.7	11	10.9	27	26.7	101	100	
- 35 years to less than 45 years	30	24.8	38	31.4	16	13.2	37	30.6	121	100	
- 45 years and above	32	31.1	38	36.8	21	20.4	12	11.7	103	100	
<hr/>											
Total	181	38.8	130	27.9	67	14.4	88	18.9	466	100	
<hr/>											
Chi square	=	65.223			D.F	=	9		P	=	0.000
Kendall TAU B	=	0.170			P	=	0.000				

9.1.10 Annual income and educational levels of customers

Finally, it is of main concern to find out the attributes of Islamic banks customers in terms of educational level and annual income. It was found that about 47 percent of the highly educated customers have the lowest annual income (i. e. less than J. D 3000 per customer), to some extent similar to that of the least educated customers, and about 42.9 percent of the least educated customers were found in the least annual income bracket, as shown in Table 9.12

The chi square test of significance was found to be statistically significant ($X^2 = 33.768$, $P = 0.000$), and this indicates a significant association between the annual income of the customers and their educational levels. These differences indicate that the educational level is not an indicator of the annual income of the customer because no significant correlation was found between these two variables.

9.2 Banking habits of Islamic banks' customers in Jordan

Over the past few years, much research has been directed toward developing ways of identifying market segments. The purpose of many of these segmentation studies has been to establish a criterion by which marketing strategies may be developed to reach the target market more efficiently and more effectively.

Islamic banks in Jordan have been newly established in order to serve two segments of the market. First, those who were not dealing with banks before for religious reasons i. e. those who were perceived conventional banks as "selling something prohibited in Islam, selling usurious services", while the second segment consists of those who were dealing with other conventional banks because the other alternative did not exist.

Table 9.12: Educational levels and annual income of customers
N = 466

	Educational level & Annual income bracket									
	(1)		(2)		(3)		(4)		Total	
	N	%	N	%	N	%	N	%	N	%
1- Less than secondary education	27	42.9	17	27.0	4	6.3	15	23.8	63	100
2- Secondary certificate	87	38.1	57	25.0	49	21.5	35	15.4	228	100
3- Community college	12	20.7	26	44.8	5	8.6	15	25.1	58	100
4- Univ. and above	55	47.0	30	25.6	9	7.7	23	19.7	117	100
Total	181	38.8	130	27.9	67	14.4	88	18.9	466	100

Chi square = 33.768 D.F = 9 P = 0.000

TAU B = -0.017 P = 0.330

(1) Less than J.D 3000 , (2) J.D 3000 to less than 6000 , (3) J.D 6000 to less than J.D 9000, (4) J.D 9000 & above .

In the following pages, the researcher tries to find out the characteristics of these two segments in an attempt to help in establishing a criterion by which Islamic banks marketing strategies may be developed to reach their target market in a more efficient and effective way.

Islamic banks in Jordan have successfully invaded the nonbanking segment of the market, and gained part of the banking one. It was found that more than one third (35.1 percent) of the customers in the sample were introduced to the banking industry for the first time (i. e. did not have the banking habit before dealing with the Islamic banks), and this ratio differs from the customers of one branch to those of another branch, ranging from 19.5 percent as in the Jordan Finance House located in the centre of Amman to 63 percent as in a bank branch located in Aqaba ,a small city very far from Amman,. This ratio was more than 40 percent in seven branch customers, most of whom banked at branches located in lower class areas.

On the other hand, about two thirds of the customers in the sample (64.9 percent) had acquired their banking habits before dealing with the Islamic banks. The ratio of those who were accustomed to dealing with banks to all customers differs from one branch to another, ranging from 37 percent as in the Aqaba branch to 81.5 percent as in the Jordan Finance house, as can be seen from Table 9.13. This table showed that customers of the branches located in more developed trading areas were found to be dealing with banks before becoming Islamic banks'customers more than customers of branches located in less developed

Table 9.13: Banking habits of Islamic banks' customers according to the branch they deal with

Branch	Customers who were dealing with banks before		Customers who were not dealing with banks before		Total	
	N	%	N	%	N	%
a -Jordan Finance House						
	33	80.5	8	19.5	41	8.8
b -Jordan Islamic Bank Branches						
1-Sweileh	37	77.1	11	22.9	48	10.3
2-Irbid	32	76.2	10	23.8	42	9.0
3-Amman center	58	68.2	27	31.8	85	18.2
4-Shmeasani	38	66.7	19	33.3	57	12.2
5-Wehdat	33	64.7	18	35.3	51	10.9
6-Maan	7	58.3	5	41.7	12	2.6
7-Madaba	8	57.1	6	42.9	14	3.0
8-Wadi Essir	4	57.1	3	42.9	7	1.5
9-Karak	5	55.6	4	44.4	9	1.9
10-Jabal El Husain /Amman	20	54.1	17	45.9	37	7.9
11-Zarqa	18	48.6	19	51.4	37	7.9
12-Aqaba	10	37.0	17	63.0	27	5.8
Total	303	64.9	164	35.1	467	100
Chi square = 26.867 D. F = 12 Significance = 0.008						

trading areas. More than 64.7 percent of the customers of Shmeasani, Amman, Whdat, Irbid, Sweileh and Jordan Finance House branches were accustomed to banking and were dealing with other banks before becoming Islamic banks' customers, while, less than 60 percent of other branches were accustomed to the banking and had been customers of other banks before becoming Islamic banks' customers. This might be due to the fact that better developed trading areas need banking facilities more than the less developed ones.

Islamic banks in Jordan won about two thirds of their customers from other conventional banks, and introduced about one third to the banking industry for the first time. The chi square test of significance was used to find out whether there is an association between Islamic banks branch customers and their banking habits (i. e. banking or nonbanking before). Chi square was found significant ($X^2 = 26.867$, $P < 0.01$), and indicates a significant association between the two groups of customers according to the branch they deal with.

Although differences were found among Islamic banks customers in Jordan according to their banking habits, the image of Islamic banks as a banking system stresses the delivery of non usurious services, attracts both segments of customers. This result might constitute a threat by the Islamic banks to other conventional banks in Jordan. Therefore, conventional banks in their marketing strategies might start to introduce some Islamic banking services in order to maintain present customers and to gain new ones.

9.3. Influential role of Islamic banks

The researcher's intent was also to explore the influential role of Islamic banks on their customers i. e. whether their customers were influenced by their Islamic banks and stopped dealing with other banks, or if they were still dealing with other banks besides being Islamic banks customers. The following question was put in the questionnaire.

"Are you now dealing with another bank besides the Islamic bank?"

Respondents were asked to answer "Yes" or "No" to the above question. Respondents who answered "Yes" were regarded as "not wholly influenced by the Islamic banks. Respondents who answered "No" were regarded as influenced by the Islamic banks because they stopped dealing with other banks (if they were dealing with them before).

In order to explore the influential role of the Islamic banks on their customers, and based on the responses of the respondents to the above question, cross tabulation as shown in Table 9.14 was computed.

Table 9.14 shows that 186 customers in the sample out of 303 who had been dealing with banks before (or about 61.4 percent) were still dealing with other banks besides the Islamic banks. This indicates that 117 customers or 38.6 percent of those accustomed to banking were influenced by the Islamic banks and stopped dealing with other banks.

Table 9.14: The influential role of Islamic banks on their customers

Islamic Banks' Customers	Dealing with Islamic banks only now		Dealing with other banks besides Islamic banks		Total	
	N	%	N	%	N	%
- Who were dealing with other banks before	117	38.6	186	61.4	303	100
- Who were not dealing with banks before	136	82.9	28	17.1	164	100
Total	253	54.2	214	45.8	467	100

Chi square = 82.389 D. F = (1) Significance = 0.000

One can conclude from these results that Islamic banks customer who were using banking services before becoming customers of Islamic banks were of two groups:

1- Those who are still dealing with other banks. These constitute about 61.4 percent, and the Islamic banks role in influencing this group might not be high, in spite of the fact that Islamic banks succeeded in winning their group from other conventional banks, these customers might not be inspired by the Islamic banks to stop dealing with other banks, or they might be using other services that the Islamic banks do not render., Whether services used by customers of Islamic banks, are rendered by the Islamic banks themselves or other banks is discussed in the following chapter (chapter ten).

2- Those who quit dealing with other banks. This group consists of 38.6 percent of the customers who were previously using bank services. It was easy for this group to quit because they were dealing with other conventional banks when there was no alternative. Once the Islamic banks presented an alternative to conventional banks, those who were waiting for them to begin offering their services and were dealing with other banks found it easy to make the change.

A more interesting finding was that, some of the Islamic banks customers who were not dealing with banks before being Islamic banks customers started to deal with other conventional banks besides the Islamic banks. In this sample, 28 customers or about 17.1 percent of the previously nonbanking customers began to bank with other banks besides the Islamic banks. This might indicate that the Islamic banks played a role in spreading the banking habit in general in Jordan.

The above mentioned findings concerning the differences in the banking habits of Islamic banks' customers lead us to raise the following question.

"Is there a significant association between the presence or absence of banking habits of the customers before they began to use Islamic bank services and their banking habits afterwards?"

The chi square test of significance was computed and found to be statistically significant ($X^2 = 82.389$ D. F = 1 P = 0.000). These significant differences between Islamic banks customers' banking habits before and after being Islamic banks customers

might be due to religious as well as social values and beliefs i.e. once the Islamic banks are in operation , it becomes easy for some nonbanking segments to become banked, and for some of the banking to change to Islamic banks.

9.3.1 Banking habits and the personal attributes of Islamic banks customers in Jordan

It was found that 85.1 percent of the total of previously banked customers, were male while the rest were female. No significant differences were found between the previously banked and the non banked customers according to their sex. Chi square was found to be not significant ($X^2 = 0.703$, $P = 0.401$).

Of the previously banking customers 68 percent were married, while the rest were single. No significant differences were found between customers previously banking and those nonbanking according to marital status. Chi square test of significance was found not to be significant ($X^2 = 0.248$, $P = 0.618$).

As for the age groups, customers of Islamic banks who were banking before were found to be mostly in the first and third age groups. Of the total banking customers 30 percent were in the age groups of less than 25 years, and 28 percent between 35 and 45 years. It was found that there is no significant association between the age group of the customers and whether they were banking before or not. The chi square test of significance was found to be not significant. ($X^2 = 2.253$, $P = 0.521$).

The majority of the Islamic banks customers who were banking before, were well educated, 48 percent of them had attained secondary education level 11.6 percent were graduates of community college, while 27.5 percent were university graduates or above. It was found that there is no association between the educational levels of customer and their being banking before or not ($X^2 = 2.253$, $P = 0.521$)

Of the previously banking customers 37.2 percent were in the first category of annual income (i. e. less than J. D 3000), while 21.8 percent were in the highest category of the annual income (i. e. J. D 9000 and above). The chi square test of significance found that there was no significant association between the annual income of the customers and their being banked before or not ($X^2 = 5.01$, $P = 0.171$).

Based on these findings, personal characteristics of the customers were not differentiating variables between previously banking or non banking customers . Whether there is any association between the time when customers first learnt about Islamic banks and their personal attributes is presented below together with a discussion of the possible role of Islamic banks in influencing their customers' banking habits.

9.4 Islamic banks customers' knowledge about Islamic banks

Islamic banking was first introduced to the banking industry in Jordan in late 1978. Islamic banking was not even known to

the Jordanian community before that date, because this kind of banking institution was so recent. Therefore, efforts had to be made by these banks to introduce themselves to their potential customers, but the image of being an Islamic bank attracted those who were not interested in dealing with other conventional banks. Too much time was needed for some of the potential customers to learn about the Islamic banks.

It was found that the majority of the Islamic banks customers (85.4 percent of the sample) learnt about Islamic banks within a period of less than three years; only 14.6 percent of the sample knew about them within a period of more than three years as shown in Table 9.15 below.

Table 9.15 Period of time Islamic banks' customers first knew about the Islamic banks

Period within which they first learnt	No. of customers	percent	Cummulative percent
1- Less than one year	75	16.1	16.1
2- 1 to less than 3 years	324	69.4	85.4
3- 3 years to less than 6 years .	18	3.9	89.3
4- 6 years and above	50	10.7	
Total	467	100	100

9.4.1 Islamic banks' role in informing their customers:

In order to understand whether the customers knowledge of Islamic banks was a result of the Islamic banks efforts to inform the customers about Islamic banking in general or not. The following question was included in the questionnaire

"How important was the role of the Islamic bank in informing you about Islamic banking in general?"

Respondents (customers) were asked to rate their responses to the question on a five point scale ranging from "very important" to "not important at all". The mean score to the responses was calculated and found to be 4.015, which reflects the importance of the bank's role in informing their customers about Islamic banking in general. Of the respondents 74.7 percent considered the role of the bank as "very important", or "important", while only 15 percent considered it as "not important" or "not important at all". However, about one fourth of the respondents were "uncertain". These results are displayed in Table 9.16 below

However, to obtain objective findings as to whether the role of Islamic banks in informing their customers about Islamic banking in general really does have significant correlation with the period within which they first learnt about Islamic banks , the Pearson's r correlation was computed, and the result was ($R = 0.0359$, $p = 0.219$). This indicates that there is no significant

correlation between the period within which they first learnt about Islamic banks and the Islamic banks' role in informing them about Islamic banking in general .

Table 9.16 : The role of Islamic banks in informing their customer about Islamic banking in general, as perceived by their customers

	Value	Frequency	percent	Cummulative percent
Not important at all	1	5	1.1	1.1
Not important	2	65	13.9	15.0
Uncertain	3	48	10.3	25.3
Important	4	149	31.9	57.2
Very important	5	200	42.8	100
Total		467	100	

Mean = 4.015

The implications for marketing strategies for Islamic banks is that they would be well advised to play a more active role in informing their customers about their activities in order to augment their market share, increase cross selling; and educate potential customers about these banks.

9.4.2 Banking habits and knowledge about the Islamic banks in Jordan

Of the total customers in the sample 79.2 percent of those who were accustomed to banking, and 97 percent of those who were not had learnt about Islamic banks just recently (i. e. within a period of less than three years), while only 20.8

percent of the previously banking customers, and 3 percent of those who were not banking, knew about the Islamic banks within a period of three years or more. It was found that a very small segment of the Islamic banks customers knew about Islamic banks for a longer period of time, while the majority had learnt about it just recently (i. e. within a period of less than three years). The majority of the customers, whether they were banking or nonbanking, knew about Islamic banks within less than three years as shown in Table 9.17

Table 9.17: Customers of Islamic banks whether they were banking or nonbanking before and their first knowledge about Islamic banks.

First learnt about the Islamic Banks	Previously Banking Customers		Previously Nonbanking Customers		Total	
	N	%	N	%	N	%
	- Less than 1 year ago	41	13.5	34	20.7	75
- From 1 to less than 3 years ago.	199	65.6	125	76.3	324	69.4
- From 3 to less than 6 years ago .	18	6.0	—	—	18	3.9
- 6 or more years ago.	45	14.8	5	3.0	50	10.7
Total	303	100	164	100	467	100

Chi square = 28.726 D. F = 3 Significance = 0.000

These results support the previous findings that Islamic banks should play an active role in informing customers about the concept of Islamic banking in order to market their services more efficiently and more effectively. To see whether there is an association between the question of whether Islamic banks customers were previously banking or nonbanking and the question of when they first learnt about Islamic banks, the chi square test of significance was computed and found statistically significant ($X^2 = 28.726$, $P = 0.000$). This implies that there are significant differences between previously banking and previously nonbanking customers according to when they first knew about Islamic banks. These differences might be due to the fact that Islamic banks are newly established (the Jordan Islamic bank was established nine years prior to the date of conducting this study, and the Jordan Finance House 5 years before). It requires time to inform several segments of the market about services, especially if we know from the previous chapter that managers of Islamic banks were found to be less interested in advertising.

9.4.3 Banking attitudes of Islamic banks' customers and their knowledge about the Islamic banks

Islamic banks customers can be classified into two main segments according to their banking attitudes: Those who deal only with Islamic banks, and those who deal with other banks besides Islamic banks. To ascertain the relationship between these two segments and the period within which they first

learnt about Islamic banks, Table 9.18 is produced

Table 9.18 shows that the majority of the customers knew about Islamic banks within a period of less than 3 years prior to answering the questionnaire (69.4 percent), whether they were dealing with the Islamic banks only or dealing with other banks besides. Further, 91.5 percent of those who deal with Islamic banks only, and 78.5 percent of those who deal with other banks besides, knew Islamic banks within a period of less than 3 years prior to answering the questionnaire.

Table 9.18: Banking attitudes of Islamic banks customers and the time they first knew about Islamic banks.

Time period within which customers learnt about Islamic banks	Less than 1 year N	1- less than 3 years N	3-less than 6 years N	6 years and above N	Total N
-Deal with Islamic banks only	47	184	13	9	253
Deal with other banks besides	28	140	5	41	214
Total	75	324	18	50	467
Chi square = 31.788 D. F = 3 Significance = 0.000					

To find out whether, from the point of view of the time when customers first learnt about Islamic banks, there are any differences between those who deal with Islamic banks only and those who deal with other banks besides, the chi square test of significant was computed and found to be statistically significant ($X^2 = 31.788$, $P = 0.000$). This may indicate that the length of time during which the customers first learnt about the Islamic banks could affect their banking habits to deal with other banks besides. This has implications for the Islamic banks marketing strategy.

Another classification of Islamic banks customers which could be of interest is the classification of customers according to both the question of whether they were banking before, and still deal with other banks besides and the question of the time within which they first learnt about Islamic banks. Table 9.19 is then produced.

Table 9.19 shows that in all categorical groups some of the Islamic banks customers once they knew about Islamic banks and started dealing with them, began to leave other banks. This constitutes 29.4 percent of all customers who were accustomed to banking. This finding implies that Islamic banks do not only compete with other conventional banks, but actually capture a portion of their customers. This means that Islamic banks might in future become a threat to other conventional banks in the region. Therefore, conventional banks might start thinking of selling some of the same kinds of services offered by Islamic banks.

Table 9.19: Banking attitudes of Islamic banks customers and the period within which they first learnt about Islamic banks

First knew about Islamic banks	Were banking before		Still dealing with other banks		Difference	
	N	%	N	%	N	%
1-Less than one year	41	13.5	28	13.1	13	31.7
2-One To less than three years	199	65.7	140	65.4	59	29.6
3- Three To Less than six years	18	5.9	5	2.3	13	72.2
4- Six years or more .	45	14.9	41	19.2	4	8.9
Total	303	100	214	100	89	29.4

A case in point is the Arab Bank. (*The Banker Magazine* of July 1989 ranks the Arab Bank 223 among the top 1000 world Banks.) Azzam Yaesh, a Jordanian businessman, told the researcher that he was thinking of importing automobile spare parts, in which he specializes. He went to the Jordan Islamic bank to negotiate the terms of financing the transaction. Once he received an offer to finance it on a Mudaraba basis, he went to the Arab Bank and asked them to finance the transaction on a non-interest basis (i. e. Mudaraba) explaining that if not, he

would go to the Jordan Islamic bank. Two weeks after, he had an offer from the Arab Bank, which he considered better than that of the Islamic bank. This event proves that once the Management of the well established Arab Bank, knew that the Islamic bank could be a threat, they considered selling islamic banks services. The implication for Islamic banks is that their marketing strategies should concentrate not only on performing different services, but also on following different and more competitive pricing strategies.

9.4.4 Personal attributes and knowledge about Islamic banks

Concerning the sex of the customers, 85.1 percent of the male customers, and 87.5 percent of the females had only recently learnt about the Islamic banks within less than 3 years , while the rest of both sexes first learnt about them within three years or more. The chi square test of significance showed that there is no association between the period within which customers of Islamic bank first learnt about Islamic banks and their sex ($X^2 = 1.9$, $P = 0.593$).

The majority of the married customers (81.8 percent)and the single ones (92.3 percent) had recently learnt about the Islamic banks (i. e. within less than three years), while the rest learnt about them within three years or more. to find out whether there is a significant association between the time customers of Islamic banks first learnt about these banks and their marital status or not, the chi square test of significance was computed

and found to be significant ($X^2 = 12.674$, D.F = 3 , P = 0.005). This is an implication for islamic banks marketing strategies.

The majority of the customers in all age groups (more than 60 percent) knew about the Islamic banks within a period of 1 to less than 3 years; very few customers in all age groups learnt about the Islamic banks more than three years age. Those who learnt about them more than three years age range from 7 percent of the first age group to 23.3 percent of the higher age group. These findings lead us to test whether there is a significant association between age group and the period within which they first knew about the Islamic banks. The chi square test of significance was calculated and found to be significant ($X^2 = 18.132$, D. F = 9 , P = 0.03).

This result indicates that the age groups differ according to the period within which they first learnt about the Islamic banks. A significant positive correlation was found between age groups and the time of learning about the Islamic banks ($\tau = 0.105$, P = 0.004). These findings lead us to conclude that the higher the age group, the larger the period within which customers first knew about Islamic banks in Jordan. This might indicate that elderly people are more interested in a religious based institution like Islamic banks. This has implications for Islamic banks marketing strategies.

The educational level of the customer might reflect his/her interest in knowing about this new type of banking institution. It was found that the majority of customers in each level of

education (ranging from 79.4 percent of the first level to 88.6 percent of the second levels, and 86.2 percent of the third level and 82 percent of the fourth level) learnt about the Islamic banks within a period of less than 3 years, while the rest knew about them in three years or more. The chi square test of significance was not significant ($X^2 = 13.840$, D.F = 9 , P = 0.128). Moreover no significant correlation was found between the educational levels of customers and their time of learning about the Islamic banks ($r = -0.017$, P = 0.334). This might be due to the fact that banking activities may be correlated with trade industry ;and other main sectors of the economy. Thus, those who work in these sectors of the economy, especially trade and industry might be of different levels of education. A shop owner might not hold a degree, but his profession needs several banking services which a highly educated person might not need.

The annual income might be an indicator of the time when the customer learnt about the Islamic banks. The majority of the customers (more than 65 percent) in each annual income group first learnt about the Islamic banks within less than three years, while the rest knew in three years or more, but differences existed between one annual income group and another. This is proved by the chi square test of significance, which was found statistically significant ($X^2 = 45.243$, D.F = 9 , P = 0.000). Thus, a significant correlation was found between the annual income groups of customers and the time when they learnt about the Islamic banks ($r = 0.377$, P = 0.0004). This

indicates that higher income groups are more interested in banking activities. Thus, they knew about the Islamic banks for a longer period of time.

Figure (9.1) summarizes the banking habits of the Islamic banks' customers. While Table 9.20 summarizes the results of the statistical techniques of the chi square and correlation used in the analysis in this chapter.

Figure (9.1)

Banking habits of Islamic bank customers.

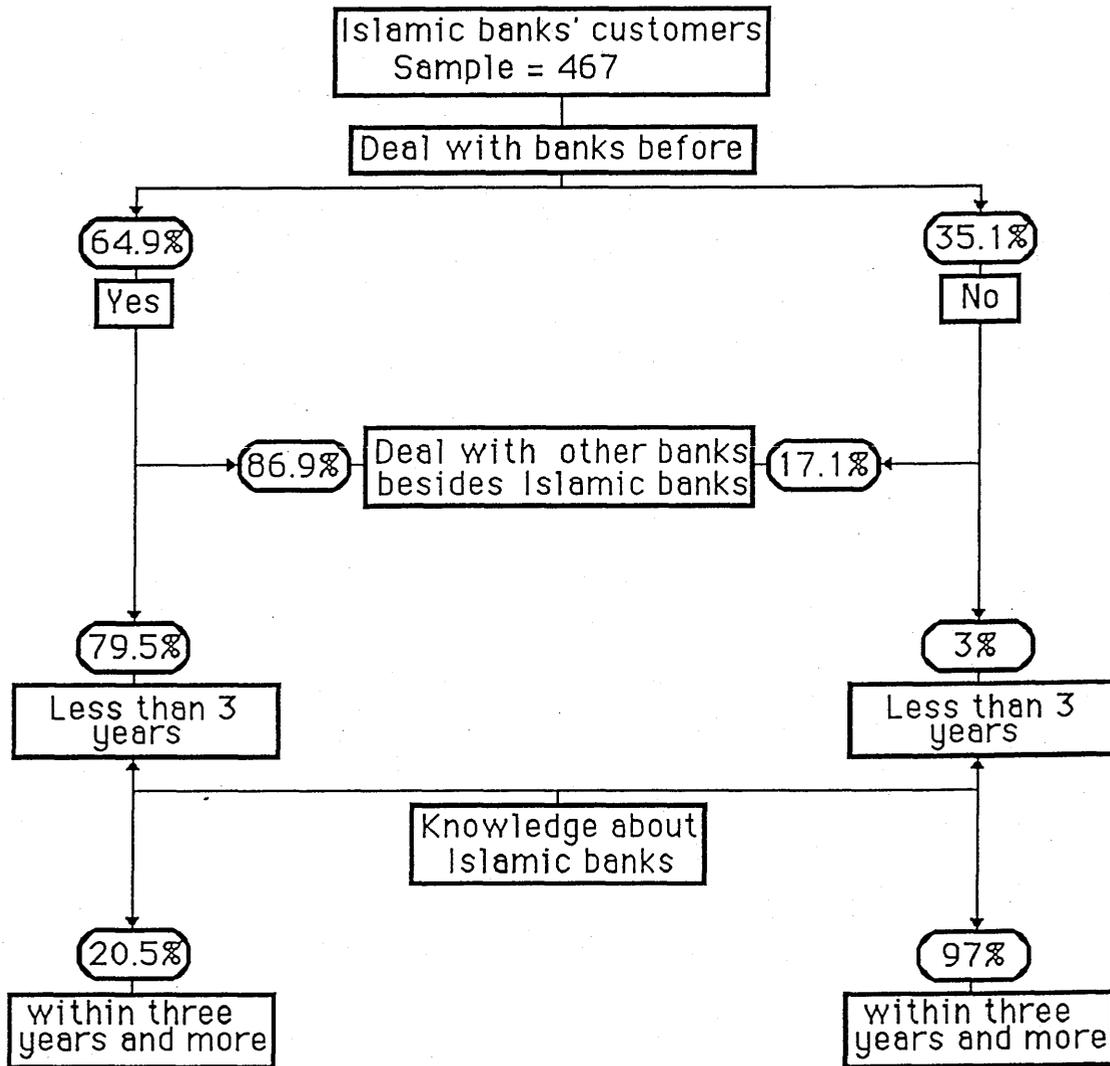


Table 9.20: Statistical results of the chi square, and correlation used in the analysis

1) Personal attributes	X ²	D. F	P.	Tau	P
a) Sex and marital status	133.677	1	0.000		
Age groups	23.997	3	0.000		
Educational levels	27.978	3	0.000		
Annual income	26.999	3	0.000		
b) Marital status and, age groups	50.892	3	0.000	.326	0.000
Educational levels	39.014	3	0.000	- 0.043	0.158*
Annual income	68.127	3	0.000	0.320	0.000
c) Age groups and, Educational levels	98.087	9	0.000	-0.176	0.000
Annual income	65.223	9	0.000	0.170	0.000
d) Educational levels and annual income	33.768	9	0.000	-0.017	0.330*
2) Banking habits of customers before being Islamic banks' customers and,					
a) Branches they deal with	26.867	12	0.008		
b) Influential role of Islamic banks	82.389	1	0.000		
c) Sex	0.703	1	0.401*		
d) Marital status	0.243	1	0.618*		
e) Age groups	2.252	3	0.521*		
f) Educational levels	3.308	3	0.507*		
g) Annual income	5.01	3	0.171*		
3) Knowledge about Islamic banks and,					
a) Banking habits of customers	28.726	3	0.000		
b) deal with Islamic bank only or besides	31.788	3	0.000		
c) Sex	1.90	3	0.593*		
d) Marital status	12.674	3	0.005	0.136	0.001
e) age group	18.132	9	0.03		
f) educational level	13.840	9	0.128*	-0.017	.334*
g) annual income	45.243	9	0.000	0.377	0.0004

* Not significant

9.5 Summary

This chapter has been devoted to exploring the main personal attributes of Islamic banks customers in Jordan such as sex, marital status, educational levels, annual income, whether or not they were accustomed to banking, the influential role of Islamic banks on their customers, and the period within which customers first learnt about the Islamic banks in Jordan. The findings concerning these questions can be summarized as follows"

Islamic banks customers were found to be mainly males, possibly because of Jordanian Arab/Muslem cultural insistence upon the male's responsibility for the family needs. The female's responsibility towards the family is very limited. A significant association was found between the sex of the customers and each of the other personal attributes i. e. marital status, age, educational levels, and income.

Married customers were mainly male, while single customers were mainly female in their early age groups. Customers were mainly young ($X = 34.175$ years), females were younger and more educated than male customers. Differences were found in the annual income according to sex.

A significant positive correlation was found between the marital status of customers and each of the following personal attributes: age group, educational level and annual income of

customers, while an inverse correlation was found between age group of customers and their educational levels. A positive correlation was found between age group of the customers and their annual income. On the other hand, no correlation was found between annual income and the educational level of customers. These results indicate implications for the marketing strategies of Islamic banks. The promotional strategies of Islamic banks could concentrate on the single female and married male since the female segment of the market was less tapped. Moreover, the younger potential customers would constitute a very good potential segment of the market. Therefore, an aggressive promotional campaign addressed towards the young to hit the schools and universities could be beneficial in order to capture this segment of the market. As these potential customers grow older their income and savings will increase, and so will their financial needs, making of them a potential segment of the market for Islamic banks.

Banking habits of Islamic banks in Jordan were also explored. The characteristics of the two tapped segments of the market, i. e. those who were banking before and those who were not were explored in an attempt to help establish criteria for Islamic banks marketing strategies.

Islamic banks have successfully invaded the non banking segment of the market, and gained part of the banking one. It was found that more than one third (35.1 percent) of the customers in the sample were introduced to the banking industry for the first time. The fact that Islamic banks have

won two thirds of their customers from other conventional banks might constitute a threat to those other banks. The marketing strategies of other conventional banks might start to consider introducing some Islamic banking services in order to retain old customers, and gain new ones. Thus Islamic banks should consider this potential behavior of other banks in their marketing strategies.

An interesting result was found reflecting the influential role of Islamic banks on their customers: 38.6 percent of the Islamic banks customers who were banking before stopped dealing with other banks. This type of customer might have been dealing with other banks because there was no alternative (i.e. Islamic banks). Another group of customers who were banking before still deal with other banks besides Islamic banks. They might be using other services which the Islamic banks do not offer. On the other hand, and more interestingly, it was found that some of the customers who were not dealing with banks at all before being Islamic banks' customers started to deal with other banks besides Islamic banks. This group constitutes about 17.1 percent of the previously non banking customers in the sample. This might indicate that Islamic banks played a role in spreading the banking habit in Jordan in general.

Banking habits and the personal attributes of customers were also discussed. No significant association was found between the banking habits of customers (i. e. being banking or not before being Islamic banks customer) and any of their personal

attributes (i.e sex, marital status, age, educational level and annual income).

It was assumed that a special segment of the market was waiting for the Islamic banks to be established (Schultz 1986). Not too much time was needed for some of the potential customers to know about the Islamic banks in Jordan. Only a small portion of their customers learnt about the Islamic banks in three years or more (14.6 percent of the sample). While about 85.4 percent of the customers in the sample had learnt about the Islamic banks just recently (i.e within less than three years).

No significant correlation was found between the period within which customers first learnt about the Islamic banks and the role of Islamic banks in informing the customers about Islamic banking in general. Thus, a more active role has to be played by Islamic banks to inform their present and potential customers about their activities to augment their market share and increase cross selling.

A significant association was found between Islamic banks' customers concerning the question of whether they were banking before or not and the time they first knew about the Islamic banks. Thus, more attention has to be given to the promotional strategies of Islamic banks, especially in advertising.

A significant association was found between the two groups of customers (dealers with Islamic banks only and dealers with

other bank besides) in terms of the time within which they first learnt about the Islamic banks.

It was also found that Islamic banks do not only compete with other conventional banks but also win a portion of their customers. Thus, Islamic banks might become a threat to conventional banks in the region, conventional banks may start to think of selling some of the Islamic banks services. Therefore, Islamic banks are advised to follow a sound marketing strategy in order not only to win new customers, but also to be able to face the challenge of maintaining the new customers.

No significant association was found between the time of learning about Islamic banks and the sex or educational level of the customers, while a significant association and a positive correlation were found between the time of learning about Islamic banks and each of the following: age group, annual income, and marital status. The implications of these results for the marketing strategies of Islamic banks are that they should concentrate on married male, elderly and higher income customers because these were found to take more interest in Islamic banking activities.

After examining the personal attributes of Islamic banks customers, their banking habits, and the time of learning about Islamic banks, it would be worthwhile to ascertain what types of services they use and whether they are offered by Islamic banks or other conventional banks. Services used by the Islamic banks customers are discussed in the following chapter (Chapter Ten).

Chapter Ten

Services Used by Islamic Banks' Customers

10. Introduction:

The banking habits of Islamic banks' customers were discussed in the previous chapter. It was found that some of the Islamic banks customers were dealing with other conventional banks besides being Islamic bank's customers. The purpose of this chapter is to find out what are the services used by the Islamic banks customers, whether offered by the Islamic banks or by the conventional banks, and the degree of usage of these services .

To achieve the above mentioned purpose, the following questions are considered:

- 1- What are the main services used by the Islamic bank's customers?
- 2- What is the degree of usage of each service?
- 3- What is the relationship between the use of one service and the use of the other ones?

10.1 The findings of the study:

Data has been collected from a sample of 467 customers, which were the valid responses. Statistical methods used in the analysis were: The chi square test of significance, and the non

parametric correlation. The relevant findings are summarized in two sections, viz,

- I Bank services used by the Islamic Bank's customers
 - a- Conventional banks' services
 - b- Islamic banks' services
- II Summary

The following is an analysis of the findings:

10.2 Bank services used by the Islamic Banks' customers

According to the findings presented in the previous chapter, Islamic banks customers were of two types: those who deal only with the Islamic banks, and those who deal with other banks besides. Thus, there are some customers who still use services offered by other conventional banks. Accordingly, services used by the Islamic banks' customers can be classified into two groups: conventional Banks' services, and Islamic bank's services. Figures (10.1), (10.2) summarize the relationship between the use of these services. The use of these two groups of services is discussed below:

10.2.1 Conventional Banks' services:

Services offered by banks in Jordan are not too many. They are relatively few in numbers. Central Bank of Jordan publications, the banking experience of the researcher, and discussions with bankers in Jordan were used to determine the services to be used in the study. Thus, eight main services were

identified and put in the customer's questionnaire with the "other specify" category. These include different types of deposits, credit facilities such as loans, overdrafts, and bills discounted. In addition to other services as: letters of credit, and letters of guarantee. Customers were asked to tick the service they use.

It was found that about 64.9 percent of the total customers in the sample used conventional banks' services as well as the Islamic banks' services. Of these 61.4 percent were previously having the banking habit before being Islamic banks' customers; while only 38.6 percent of them were introduced to the banking industry for the first time.

Total responses to the use of conventional banks' services were 348. Thus, the average number of conventional banks' services used by the individual Islamic banks' customers was 0.745, or less than one service per customer.

As can be seen from the diagram (10.1), all conventional banks' services mentioned in the questionnaire were found to be used by Islamic banks' customers except "the foreign currency account". Two customers ticked "other specify" category and both mentioned " safety deposit box " as a service used.

The number of users of these services differ from one service to another. The most widely used service was the current account used by 39.2 percent of the customers , while the letters of guarantee and letters of credit were of the least

used services. In the following pages a discussion of the use of each service is presented.

10.2.1.1 Current Account:

Of the 39.2 percent using the current account service offered by the conventional banks, the majority (86.3 percent) were previously conventional banks' customers.

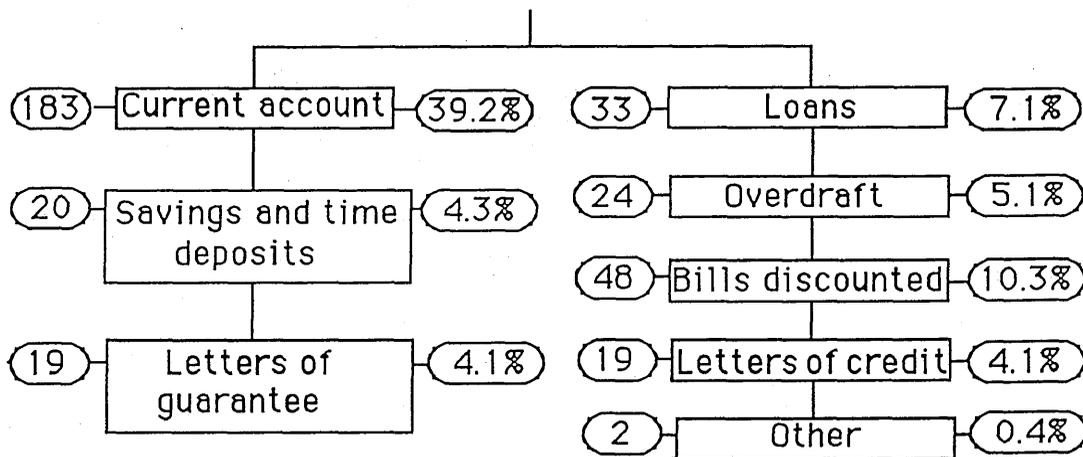
The reason that those customers still use the current account provided by the conventional banks may be because current account is a safekeeping service, does not carry interest, and therefore does not cause any conflict with Islamic Law. Conventional banks in Jordan do not pay interest on this account.

Current account is a service which is concerned with the receipt of income and subsequent personal and domestic expenditure. Current account holders have probably built good personal relationships with their conventional banks.

25 customers or 13.7 percent of those current account users were first become bank customers. The chi square test of significance was found to be significant ($X^2 = 59.263$, $P = 0.000$) between the use of current account service by the Islamic banks' customers and their banking habits before being Islamic banks' customers. Thus, the null hypothesis that there is no association between these two variables cannot be sustained. A significant positive correlation was found between the use of the current account service and the previously banking habit of customers. This indicate that the use of the current account offered by conventional banks will increase in the future.

Diagram (10.1)

Services used by Islamic bank customers and provided by conventional banks.



Figures reflect number of users of that service

Percentages reflect the percentage of users of that service to the total number of customers in the sample.

The majority of the current account service users (78.1 percent) first learnt about the Islamic banks within a period of less than three years ago. There was a significant relationship between the period of knowledge about the Islamic banks and the use of the current account service offered by the conventional banks. The chi square test of significant was found to be significant ($X^2 = 26.593$, D.F = 1 , P = 0.000), but the covariance was very small. Covariance Tau b measure shows that the two variables vary together to a degree of .18 only.

It was also found that there was a significant association between the use of the current account and the use of many other services whether offered by the conventional banks or by the Islamic banks but the covariance Tau b measure showed that the variation between the use of the current account and the use of the other services was low , and ranged from .131 as for the use of the overdraft service offered by the conventional banks to .335 for bills discounted. The chi square test of significance, Tau b covariance are shown in Table 10.1

Although there was a significant association between the use of the current account and the use of the savings and time deposit accounts; Only 9 percent of the current account users were users of savings and time deposits.

Table 10.1 Use of the current account service offered by the conventional banks and other services

a-Conventional bank services	X ²	P	Kendall Tau B	P
1-Savings and time deposit	12.87	.00003	.176	0.0001
2- Bills discounted	50.167	0.000	.335	0.000
3- Loan	19.311	0.000	.207	0.000
4- Overdraft	6.848	0.009	.131	0.002
5-Letters of credit	14.936	0.000	.190	0.000
6-Letters of guarantee	23.274	0.000	.234	0.000
b- Islamic banks' services				
Current account	13.745	0.000	.178	0.000
Investment account	25.101	0.000	-.238	0.000

The Tau b covariance measure showed that the use of the current account and the use of the savings and deposits account, bills discounted, loans, and letters of guarantee vary to a larger degree than with the use of other services. This may be because the majority of the users of savings account (80 percent), of bills discounted (87.5 percent), and of Loans (75.8 percent) and of Letters of guarantee (94.7 percent) were current account users.

The relationship of the use of current account service of conventional banks with the use of Islamic bank services was

reflected in two main Islamic bank services: the current account and the investment account.

It was found that (96.2) percent of the conventional banks current account users were users of the Islamic banks current account service, and only 1.7 percent of them were users of the investment account. This is mainly due to the fact that the motives of the two types of users in holding a bank account are different.

The fact that the majority of the current account service of conventional banks were users of the current account service of the Islamic banks may be due to the old relationship which these customers have built with other banks, and they are now in the testing stage of the Islamic banks services. This implies that unless the Islamic banks apply a well organised marketing strategy aiming at this segment of the customers, this group might not become a long life customers to the Islamic banks or their dealing with these banks will be very minimal.

10.2.1.2 Savings and Time deposits accounts:

It was found that only 4.3 percent of the customers in the sample used were the savings and time deposits service of the conventional banks. All those customers were previously bank customers before dealing with the Islamic banks. 80 percent of them first learnt about the Islamic banks in a period of less than three years. A significant association was found between the use of the savings and time deposits accounts and the

question of whether they had previously the banking habit or not ($X^2 = 9.756$, $P = .002$).

Of the users of this service 90 percent were users of the current account of Islamic banks, and 10 percent used the investment account, while 20 percent of them used *Murabaha*. This means that very few of them cross sell with the Islamic Banks. They cross sell more with the conventional banks, five services offered by the conventional banks were found to be used by some of the users of the savings and deposits account services. 80 percent of them used current account, 60 percent used bills discounted, 45 percent uses Loans, 25 percent used overdraft, and letters of guarantee.

No significant association was found between the use of the savings and time deposits service and the use of any of the Islamic banks service, while significant association was found between the use of this service and the use of each of the five conventional banks services as shown below ::

Current account	($X^2 = 12.870$, $P = 0.000$)
Bills discounted	($X^2 = 50.524$, $P = 0.000$)
Loans	($X^2 = 39.948$, $P = 0.000$)
Overdraft	($X^2 = 12.918$, $P = 0.000$)
Letters of guarantee	($X^2 = 18.187$, $P = 0.000$)

These results indicate that users of this service cross sell with conventional bank services especially fixed interest bearing accounts such as bills discounted, loans, and overdrafts.

The users of this service receive fixed interest on their accounts. Thus, they are not Islamic minded. They use fixed interest bearing services for financing. Islamic banks could attract this segment of the customers to use their financing schemes (i. e. profit and loss sharing) such as the 3Ms : Mudaraba, Musharaka, and Murabaha ,in addition to their deposits programmes (i.e. investment accounts) through the use of promotional strategies including sales promotions , give away gifts, leaflets, direct mail, and personal selling. Personal contacts with these customers through a personal advisor to encourage them to cross sell Islamic banks services would be helpful.

10.2.1.3 Credit facilities:

Credit facilities used by Islamic bank customers were: bills discounted, loans, and overdrafts. These services are sold by conventional banks on a fixed interest basis. 10.3 percent of the customers in the sample were found to be users of bills discounted, 7.1 percent were users of loans, and 5.1 percent were users of overdraft. The majority of these customers were previously banking . 97.9 percent of the bills discounted users, 87.9 percent of the loan users, and 100 percent of the overdraft users were dealing with banks before. It is apparent that only very few of the users of these services stopped dealing with other banks. The chi square test of significance was found to be significant between the use of these services and the question of being previously banking before or not as shown below.

Being previously banking or not, and the use of:

	X ²	P	Tau	P
Bills discounted	24.032	0.000	-.234	0.000
Loans	7.191	0.007	-.133	0.002
Overdraft	12.117	0.000	-.174	0.000

The significant inverse correlation with the use of the fixed interest services reflects the tendency of those customers to stop dealing with other conventional banks. Therefore, promotional efforts by the Islamic banks stressing the use of the alternative financing services have to be used. These efforts could help retain those customers, sell them more services, and introduce new customers .

Of the users of the bills discounted, (75 percent) first learnt about Islamic banks within a period of less than three years. 50 percent of them were users of the Loans service while only 29.2 percent of them use the overdraft service. It was found that there was a significant association between the use of each of the credit facilities with each other as shown from the chi square test and correlation below:

The use of bills discounted and the

	X ²	D.F.	P	Tau	P
Loans	142.97	1	0.000	0.567	0.000
Overdraft	57.98	1	0.000	0.368	0.000

The high positive significant correlation indicated a tendency between users of each of these services to use the other ones. This is mainly because these are the lending services used for financing. Businessmen use bills discounted to finance their selling on installments, while they finance their operations partly through loans. Overdraft service is used by many business men as a security means of financing, once they need cash, they can withdraw from their allocations for overdraft. They pay interest only on the amount used, while a small commission is paid on the unused amount of the overdraft balance.

The positive significant correlation between the use of each service and the other credit facilities services, and the inverse correlation between the use of these services and the question of being previously banking or not supports the idea that these customers need to stop dealing with other banks, but are not aware of the alternative services offered by the Islamic banks. This suggests that users of these services are not impressed by the Islamic banks to the extent that once they become customers of Islamic banks they will stop dealing with other banks. This is evident from the findings that no significant correlation was found between the use of any of these services and the question of the importance of choosing the Islamic bank because of being an Islamic bank. The implication of these results is that Islamic banks would do well to apply an informative marketing strategies in their promotional campaigns. These kinds of customers need to be educated about

the Islamic banks' services which could substitute the credit facilities offered by conventional banks.

10.2.1.4 Other services:

Other services used by the Islamic banks' customers were letters of credit and letters of guarantee offered by conventional banks. These services are indirect credit facilities. But these services might be changed into credit facilities in case of default by the customer. Letters of credit are opened with banks for the purpose of facilitating foreign trade, both imports and exports. While letters of guarantee are issued for the purpose of guaranteeing the fulfillment of the contract. Both types of banks offer these service.

About 4.1 percent of the customers in the sample were found to be using the letters of credit, and the same percentage of customer used letter of guarantee. A statistical significant association was found between the use of these two services ($X^2= 107.05$, D. F = 1, $P = 0.000$). This significant association, and the positive significant correlation ($\text{Tau } 0.506$, $P = 0.000$) was due to the interrelatedness of these two services in many times. These two services are interrelated in many cases especially, in Jordan, e.g.: once a customer opens a letter of credit to import goods, he/she has to wait till the receipt of the shipping documents including the bill of lading. The goods might arrive before the documents. In this case, he/she can not get the goods out of the port without presenting the shipping

documents. Thus, a bank letter of guarantee might substitute. This letter of guarantee should be valid for several months, especially if partial shipment was one of the terms of the letter of credit contract. Moreover, goods might be imported for the purpose of performing a contract i.e. doing works for others, who ask for a letter of guarantee. Thus, more than half of the letters of credit users (52.6 percent) were users of the letters of guarantee service, while 47.4 of the letters of guarantee users were users of the letters of credit service.

Those who use either or both services need to use the current account service. It was found that 84.2 percent of the letter of credit users, and 94.7 percent of the letter of guarantee users were users of current account. The chi-square and the correlation were found to be significant between the use of each of these services and the use of the current account. Results of the chi square and correlation were presented earlier in Table 10.1.

Users of these two services use other services whether offered by conventional banks or by Islamic banks as shown in Table 10.2. which showed that letter of credit users used more services from Islamic banks than from conventional banks. The average number of services used by each user of the letters of credit was 1.6 from conventional banks, and 2.3 service from Islamic banks. While letters of guarantee users used 2.37 service of conventional banks, and 2.1 service from Islamic banks. This is because users of letters of guarantee from conventional banks need credit facilities to finance the

performance of the contract, thus, they go to the bank which guaranteed them to use credit facilities. This is evident from what was found that 42.1 percent of them use bills discounted, loans, and 31.6 percent used overdraft. Since they do not use the letter of guarantee issued by Islamic banks. They (47.4 percent of them) used *Murabaha* which means that they buy material and equipment from the Islamic banks on differed payment.

Table (10.2): The use of other services by users of letters of credit and users of letters of guarantee.

Users of a. Conventional banks' services	Users of Letters of credit		Users of Letters of guarantee	
	No.	%	No.	%
Current account	16	84	18	94.7
Savings and deposit account	—	—	5	26.0
Bills discounted	4	21.1	4	21.1
Loans	—	—	8	42.1
Overdraft	—	—	6	31.6
b. Islamic bank services				
Current account	18	94.7	17	89.5
Savings account	—	—	1	5.3
Mudaraba	1	5.3	1	5.3
Musharaha	—	—	—	—
Murabaha	10	52.6	9	47.4
Foreign currency account	8	42.1	8	42.1
Letters of credit	3	15.8	4	21.1
Letters of guarantee	3	15.8	—	—

Letters of credit users rarely use credit facilities offered by the conventional banks, only 21.1 percent of them used bills discounted. This may be because this service helps facilitate their selling on credit to their customers.

These results could imply that Islamic banks could attract those customers to cross sell more to their services through an informative, encouraging promotional and personal contact strategy. Islamic banks could convince those customers to change their traditional methods of financing to use the Islamic banks' method, the three Ms of financing (i.e. *Mudaraba*, *Musharaka* or *Murabaha*). Thus, those customers could become profitable customers. Marketing strategy of Islamic banks should consider such implications.

Other services used were mentioned by two customers under "other specify" category. Both customers were found to use the same service. This was "safety deposit box" service. Islamic banks could provide such a service in the same way like other conventional banks. This service provides the convenience of safekeeping valuable things or documents for the customers. The bank charges an annual fee on its use. This service may be very profitable within a very short period of time. The fixed costs of the installation of these boxes will be recovered. Then most of the rental fees will be profit because the variable cost will be very minimal. The relationship between the use of the above mentioned services is displayed in Figure (10.1).

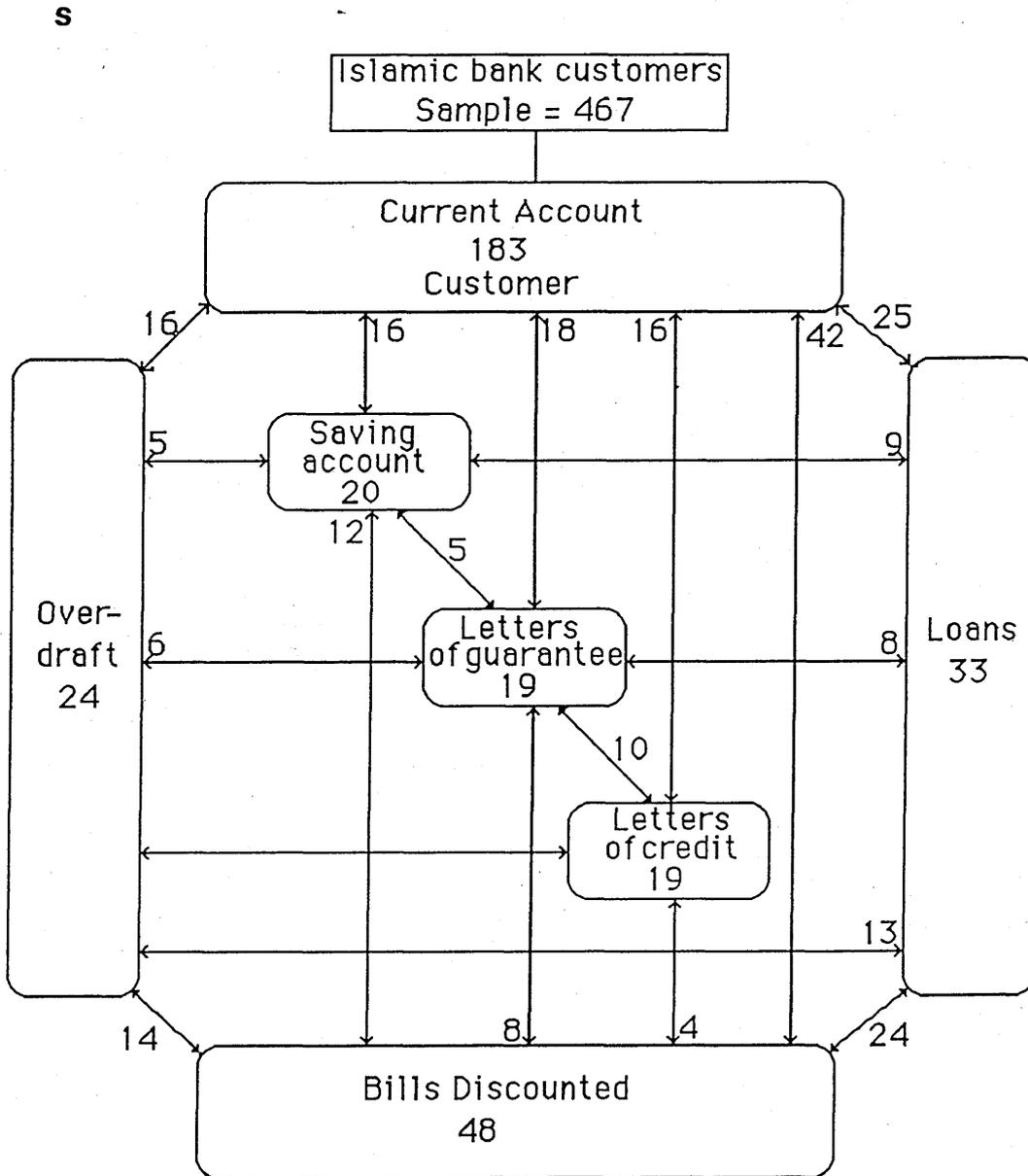
10.2.2 Islamic banks' services:

Not all of the Islamic banks' services are different from other banks services. Most of them are the same, but they differ mainly in the pricing policies. Eight Islamic bank services were put in the questionnaire in addition to "other specify". These services reflect the activities of these banks. These include the two types of deposits: current and investment, and the different investment methods (i. e. *Mudaraba*, *Musharaka*, and *Murabaha*), in addition to foreign currency account, letters of credit and letters of guarantee. Customers in the sample were asked to tick the services they use. Results are displayed in diagram (10.2) .

Total responses to the use of Islamic banks' services were 605 or more than the total number of customers in the sample. This indicates that the individual customer uses on the average more than one service. It was found that he/she uses 1.3 service on average.

All types of the Islamic bank services mentioned in the questionnaire were found to be used by the customers but at different rates. The number of users vary from as low as to 3 users or (.6) percent of the total customers for the *Musharaka* service to 417 users or (89.3) percent of the total customers for the current account. Services used are discussed below. To avoid repetition, relationship between the use of each service and other Islamic bank services is only discussed.

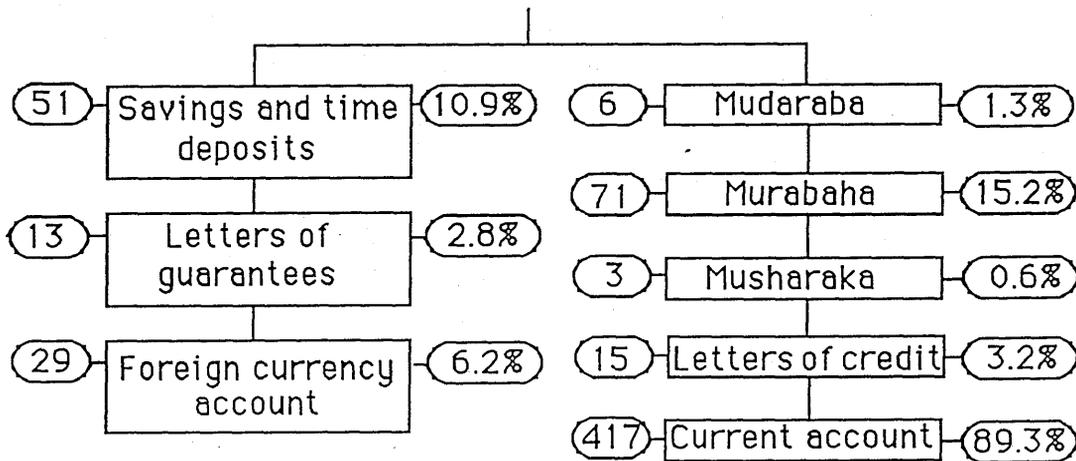
Figure 10.1



Relationship between Conventional Banks' services used by Islamic bank customers.

Diagram (10 .2)

Services used by Islamic bank customers' and provided by the Islamic banks



Figures reflect the number of users of that service

Percentages reflect the percentage of users of that service to the total number of customers in the sample.

10.2.2.1 Current account:

The starting point of the relationship between the customer and the bank is the current account. It is the account which introduces the customer to the bank. Thus, it is not surprising to find out that the current account service was the most widely used service by the Islamic banks' customers.

Of the 89.3 percent of the total customers in the sample who used the current account service of the Islamic banks, (65.7), percent were previously having the banking habit, and only (34.3) percent were newly introduced to the banking industry.

These findings are in conformity of the previous findings that Islamic banks gained about two thirds of their customers from other conventional banks, while introduced only one third to the banking industry for the first time. Moreover, the same ratios found in the current account users support the idea that the current account is the service which introduces the customer to the bank.

The majority of the current account users (85.3 percent) first learnt about the Islamic bank in a period of less than three years. It was found that some of them (45.8 percent) still deals with other banks. This might be due to their recent knowledge about the Islamic banks, and the old relationship they had built with other banks especially those who were previously banking.

The chi square test of significance, and the non parametric

correlation was used to explore whether there was a significant association between the use of the current account, and the use of other services offered by the Islamic banks.

A small percentage of the users of the current account (6.5 percent) were users of the investment account service. And 13 percent used *Murabaha*. There found a significant association between the use of the current account and the use of the investment account, ($X^2 = 74.926$, D. F = 1, P = 0.000), while ($\tau = -.412$, P = 0.000). This inverse significant correlation between the use of the current account and the use of investment account is due to the differences in the aims of users of these accounts. Current account users aim at safeguarding of their money rather than aiming at investment purposes like investment account users. The first group deposits with the bank for safeguarding motive, while the other group deposit for speculative motive (i. e. profit motive).

A significant association was also found between the use of current account and the *Murabaha* ($X^2 = 28.903$, D. F = 1 , P = 0.000), while ($\tau = -0.258$, P = 0.000). This inverse relationship reflects the different motives of the users of these two services. The first group seeks safe-guarding, while the other is actually in need of money thus borrow from the Islamic bank on installments in the form of the Islamic way of lending i.e. *Murabaha*. Those who have a good credit balance in their current account, they do not need to use *Murabaha*, and *vice versa*. This minimal use of *Murabaha* by the current account users is an implication for Islamic banks service strategy.

Islamic banks could design packages of service schemes and offers their current account customers as well as others the opportunity to benefit from these services on a *Murabaha* basis. Selling customers cars, furniture, land, houses and so on on a *Murabaha* basis could be beneficial to both parties, the bank and the customers. Although Islamic banks made such services available to customers, there is a long way to be widely used. Because still there is a misconception of the word *Murabaha*. There is a belief by many that *Murabaha* is just another means of investment on an interest rate basis. Therefore, an informative marketing strategy by the Islamic banks to increase the use of *Murabaha* , and explain its meaning, is required.

10.2.2.2 Investment account:

This type of service is an alternative to savings and time deposits accounts offered by conventional banks. The investment account is subject to risk and is opened with the Islamic bank on a profit and loss sharing principle, rather than on a fixed interest basis. It was found that (10.9) percent of the customers used this service. The majority of them were not dealing with banks before, only 27.5 percent of them were previously bank customers. 11.8 percent of these customers still deal with other banks besides being Islamic banks' customers. The majority of them (94.1 percent) knew about the Islamic banks in recent time (i.e. within a period of less than three years).

Users of the investment account service did not use too many Islamic banks services. Only (13.7) percent of them used *Murabaha*. One customer used letters of credit, and one customer used letters of guarantee. The significant number (52.9 percent) of them used the current account service. Thus as mentioned earlier, a significant association was found between the use of investment account and the use of the current account, and inverse correlation was found between the use of these two accounts ($X^2 = 74.926$, D. F = 1 , P = 0.000) while ($\tau_{au} = -.412$, P = 0.000). This strong inverse correlation might indicate a potential shift in the coming future from the current account to investment account or *vice versa* depending upon the marketing strategy followed by the Islamic banks in the future. This is an implication for the marketing strategy in the future for the use of marketing or demarketing strategy in the sense that Islamic banks could persuade customers to convert their accounts into investment accounts when there are opportunities for investment, and dissuade them to do so when there are no good investment opportunities.

10.2.2.3 Investment financing services: (The 3Ms Of Financing)

The investment policy of the Islamic banks is based mainly on a profit and loss sharing scheme rather than granting loans on a fixed interest. Three main investment services are offered. These are the 3Ms i.e. *Mudaraba*, *Musharaka*, and *Murabaha*. Only 80 customers or about 17.1 percent of the total customers

in the sample were found to be users of either of these services. 15.2 percent were users of *Murabaha*, 1.3 percent were users of *Mudaraba*, and only 0.6 percent were users of *Musharaka*.

The low percentage of the customers using such services is because these services are financing services needed for projects and corporations, and this study is limited to the individual customers. *Murabaha* was found to be more used than other methods of financing because it may be considered as a substitute for individual loans e. g. if a person needs to get a car loan, Islamic bank does not have such a service, rather the Islamic bank could offer him to enter in a *Murabaha* method to finance the purchase of the car. Of the *Murabaha* users 7 percent were using *Mudaraba*. A significant association was found between these two variables ($X^2 = 16.858$, D. F = 1, P = 0.000) while ($\tau_{au} = .216$, P = 0.000). This significant correlation could indicate that the use of *Mudaraba* might increase the use of *Murabaha*. A taxi driver might need to enter into *Mudaraba* with the bank. Thus, the bank buys the taxi, the driver participates in his efforts. At a point in time in the future the driver might ask the bank to sell him the taxi on a *Murabaha* basis. Thus, *Mudaraba* could lead to *Murabaha*.

Significant association was also found between the use of *Murabaha* and the use of each of the foreign currency account, letters of credit, letters of guarantee as shown below. This is mainly due to the fact that *Murabaha* is linked, most of the time, with foreign trade, therefore, users of this service might need the above service .

Users of Murabaha(71 Customers)

and the use of	% of the use						
	of Murabaha	χ^2	D.F.	P	Tau	P	
<hr/>							
Foreign Currency							
Account	25.3	48.873	1	0.000	0.336	0.000	
Letters of Credit	19.7	67.253	1	0.000	0.396	0.000	
Letters of Guarantee	15.5	50.173	1	0.000	0.327	0.000	

The significant positive correlation found between the use of the *Murabaha* and the use of the above mentioned services is mainly because *Murabaha* is linked with trade. Users need foreign currency accounts, and to open letters of credit for the purpose of imports, and letters of guarantees for either clearing of goods imported, and or for the guaranteeing of the fulfillment of the contract.

10.2.2.4 Other services:

Other services offered by the Islamic banks and used by their customers are those needed to facilitate foreign trade. These are: foreign currency account, letters of credit and letters of guarantees.

6.2 percent of the sample used foreign currency account. Users of the foreign currency account were users of services

related to foreign trade. 5 out of 6 of the *Mudaraba* users were users of foreign currency account and users of letters of credit. A significant association, and correlation were found between the use of these two services ($X^2 = 49.383$, D. F = 1, $P = 0.000$), ($\text{Tau} .365$, $P = 0.000$). This is because the *Mudaraba* needs the purchase of machinery and or other goods from abroad. Thus, a foreign currency account is needed. This is evident also from the strong significant correlation between the use of *Mudaraba* and the use of the letters of credit ($X^2 = 100.757$, D. F = 1, $P = 0.000$), ($\text{Tau} .518$, $P = 0.000$).

86.7 percent of the users of letters of credit were users of the foreign currency account. A significant association was found between these two variables. This is proved by the chi square and the correlation ($X^2 = 158.272$, D. F = 1, $P = 0.000$) ($\text{Tau} .607$, $P = 0.000$).

More over, 73.3 percent of the users of the letters of credit were users of the letters of guarantee and significant association and correlation were found between these two variables ($X^2 = 285.856$, D. F = 1, $P = 0.00$) ($\text{Tau} 0.780$, $P = 0.000$). These results indicate the close relationship between these three services: foreign currency account, letters of credit and letters of guarantee, and the relationship of these services with the financing services. Thus Islamic banks could promote the selling of a package of these services. Those who open letters of credit could be promoted to open a foreign currency account, and get the benefit of using a letter of guarantee if he

is in need of it. A method of Islamic bank financing like *Musharaka* could be promoted to them, but Islamic banks have to be careful in selecting the customer for the sale of this packages of services. They have to consider what Brigham and Weston (1981) call the "5 'C's" of customers, which stand for Character, Capital, Capacity, Collateral and Condition.

Figure (10.2) summarizes the relationships among the users of Islamic banks' services.

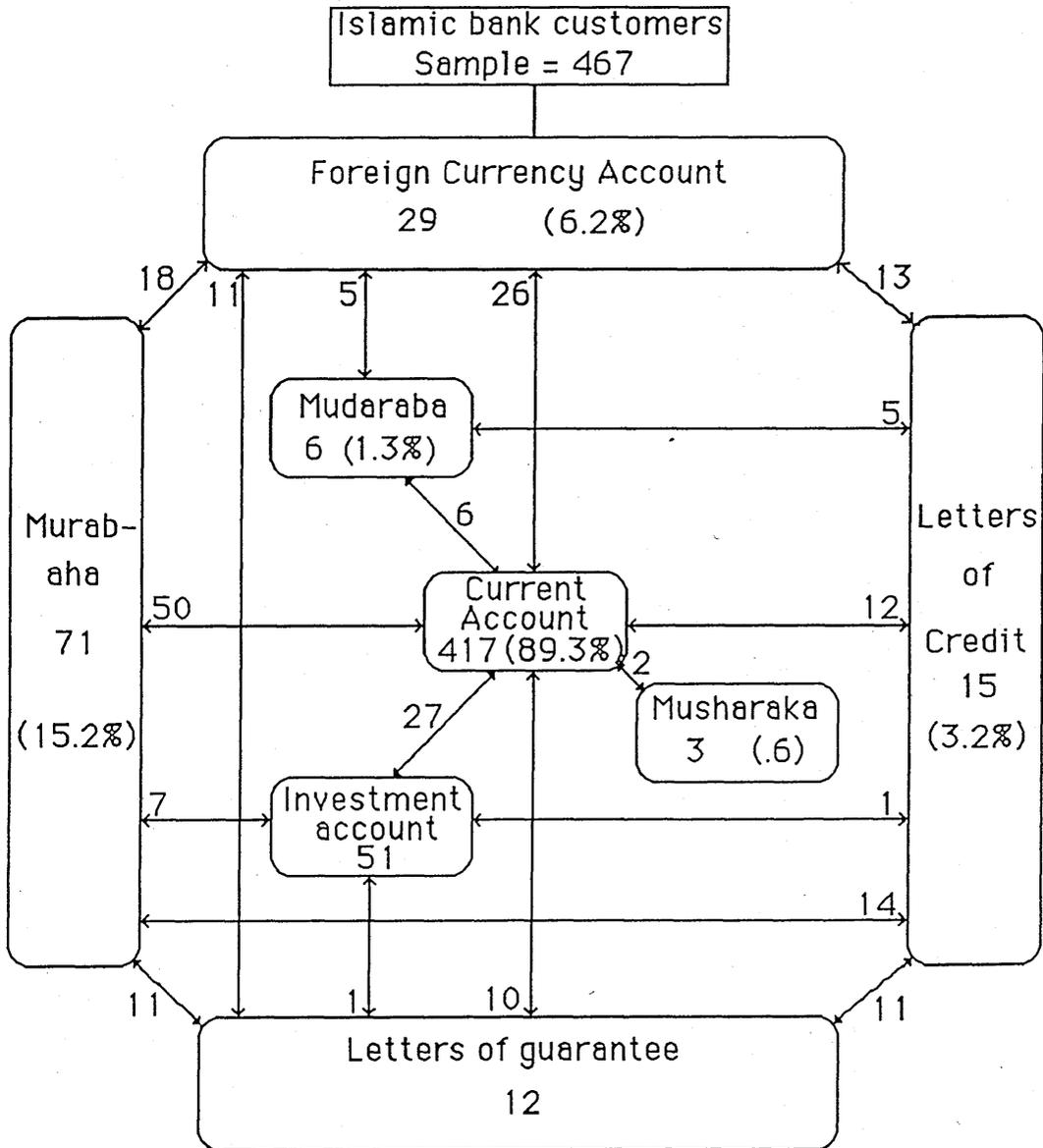
10.3 Summary:

This chapter has been devoted to discuss the services used by the Islamic banks' customers in Jordan, whether these services are offered by the conventional banks or by the Islamic banks.

It was found that customers of the Islamic banks cross sell whether from conventional banks or from Islamic banks' services. Most of the customers who deal with other banks still use the current account service. Some of the Islamic banks' customers who use services of other banks were introduced to the banking industry by the Islamic banks i.e. did not deal with banks before.

The previous relationship with other banks, customers had made them still be customers of these banks. The main services used by Islamic banks' customers and offered by the conventional banks were the current account, and the credit facilities (e. g. bills discounted, loans, overdraft). The explanation to this would be that they might not be aware of the

Figure 10.2



Relationship between the use of Islamic Banks' services.

N.B figures indicate the no.of customers in the sample using that service ,while the percent indicate the percentage of customers using the service to the customers in the sample .

alternative services offered by the Islamic banks like *Murabaha*, *Musharaka*, and *Mudaraba*, or they found difficulty in understanding the mechanism on which these services are sold. Thus, an informative marketing strategy directed to those customers would help in increasing the use of the alternative services.

Services used by the Islamic banks' customers and offered by the Islamic banks were discussed. The current account was mostly used. 89.3 percent of the customers in the sample used current account, *Murabaha* and the investment account were among the services which were used more than others.

Islamic banks could use a demarketing strategy when they need to dissuade the current account service users to convert their accounts into investment one when there is no good investment opportunity. While they could persuade them to do so when there is a need for that, since a high significant inverse correlation was found between the use of these two services. A highly significant correlation was found among the use of the services linked with foreign trade (i. e. *Murabaha*, foreign currency account, letters of credit, and letters of guarantee).

The findings of this chapter could imply that Islamic banks would do well to apply a service strategy aiming at their present customers first, and potential ones second. This service strategy has to achieve: the education of the customers about the services, how and when to cross sell, to persuade

customers, and dissuade them, according to the banks' needs, to use or not to use a specific kind of service, and help customers to know about the alternative services to conventional banks' services, in an attempt to increase the use of their services,

and decrease the use of other conventional banks services by their customers.

After discussing the services used, it is important to know why did Islamic banks' customers choose to bank with the Islamic bank, and the importance of the promotional efforts of Islamic banks to them. Chapter eleven is devoted to discuss these issues.

Chapter Eleven

Islamic bank customers' relationship with their banks

11. Introduction:

Customers of Islamic banks were found to be using several kinds of services whether these services are offered by the Islamic banks or by the conventional ones. These services were discussed in Chapter Ten. This chapter presents the findings of the research in relation to the choice criteria of their Islamic banks (i.e. the factors customers considered important in choosing to bank with their banks). Moreover, the Islamic banks' role in informing their customers about Islamic banking concepts, and the importance of the promotional media used by their banks are presented. The survey questions were formulated to achieve the following purposes:

- 1- to determine the most important salient variables which led the customers to bank with their Islamic banks in Jordan.
- 2- to explore the importance of the Islamic banks role in educating their customers about main Islamic banking concepts
- 3- to ascertain the importance of the promotional media in informing the customers about their banks.

The findings of the study may be summarized in four sections, viz.,

- I Islamic Banks Selection Criteria
 - a- Customers' opinions
 - b- Branch managers opinions.
- II The role of the Islamic banks in informing their customers about the Islamic banking concepts.
- III. The importance of the promotional media used.
- IV Summary.

The following is an analysis of the findings in relation to each section utilizing the statistical techniques of the chi square, mean score, factor analysis, the non-parametric correlation, and analysis of variance.

11.1 Islamic banks' selection criteria

Soenen (1974) indicates that research confirms that banking is essentially a convenience business. But convenience is a general term which might indicate convenient location, or convenience in safe keeping of money, or convenience in terms of the financial strength of the bank, or in other areas. Literature cites several factors customers consider in selecting to bank with their banks. Contradictory results are found regarding the importance of each factor. The Anderson, Cox and Fulcher study (1976) results' indicate that location ranked seven in importance as a decision criteria, while previous research has shown that location is considered the most important bank selection criterion (eg. Beischli 1960, Kaufman 1967, Foster 1968, Bowers 1969, Butler 1969, Davidson 1969, Dupuy 1974) among many others. The study of Anderson, Cox and

Fulcher was criticized by Dupuy and Kehoe (1976) on the basis that it tended to deemphasise location as a decision factor.

Moreover, research after the Anderson, Cox, Fulcher study, proved once again that convenient location was the most important factor for selection of a branch (e.g. Meidan 1976, Calantone and Sawyer 1978, Riggall 1979, Stanly, Berry and Danko 1979, Barrinster, Brown and Dormand 1980, Martenson 1985, Ghosh and Craig 1986, among others).

On the other hand, Tan and Chua (1986) argued that social influences like advice from family members, recommendations by friends and neighbours were found to be a stronger influence than other variables in the bank selection criteria in the oriental culture where social and family ties are closer. Lewis (1982) found that among those who had not started college, parental influence tended to be more important than location. While Pool (1976) found that five product attributes were determining factors in the consumer choice process. Using a factor analysis of ten product attributes revealed that the two underlying product dimensions of convenience and security are the most important factors.

Eighteen variables were taken from the literature, and put in the customers' and branch managers' questionnaires. Respondents were asked to state their opinions on a five point scale regarding the importance of each variable in the banks selection decision. The factors regarded important by customers in the selection of Islamic banks in Jordan as perceived by the customers themselves, and according to the

branch managers' opinions are presented below.

**11.1.1 Islamic banks' selection criteria
(customers' opinions):**

The mean scores and ranking of the customers' responses to the importance of each of the eighteen variables are presented in Table (11.1)

As can be seen from table (11.1) "being an Islamic bank" ranked first in importance with the highest mean score among all other variables ($\bar{X} = 4.675$). This confirms the findings of ELzubeir (1984) that being an Islamic bank is the most important factor in choosing to bank with Faisal Islamic bank of Sudan, followed by the following four variables arranged according to their importance as reflected by the mean scores:

	Mean Score
Friendly staff	4.473
Financial strength of the bank	4.328
Bank interest in social affairs	4.278
Loyalty to customers	4.270

The above mentioned variables as the most important factors in the banks' selection criteria indicate that the functional image of the service reflects the way the customers perceive Islamic banking along performance, and social/religious image dimensions. It might also reflect that the customers select to bank with such a bank precisely because of the inclusion of the word "Islamic" in its title, and the perceptions which are aroused because of such a title. This is in agreement with

Table 11.1 The importance of the Islamic banks' selection criteria as perceived by Islamic banks' customers and branch managers

Selection Criteria	Islamic banks customers' Opinion		Branch Managers' Opinion	
	Mean	Rank	Mean	Rank
1. Wide range of services	4.084	10	4.154	14
2. Quick service	4.143	7	4.692	3
3. High return on Investment	3.415	18	4.308	11
4. Simple banking procedures	4.244	6	4.385	8
5. Convenient location	3.951	13	4.385	8
6. Friendly staff	4.473	2	4.692	3
7. Bank advertising	3.685	15	3.923	17
8. Being an Islamic Bank	4.675	1	4.308	11
9. Long opening hours	3.522	17	3.846	18
10. Less queuing	4.133	8	4.769	1
11. Adequate parking	4.049	11	4.467	6
12. Financial strength of the bank	4.328	3	4.769	1
13. Loyalty to customers	4.270	5	4.538	5
14. Low service charges	3.786	14	4.000	16
15. Low investment risk	3.672	16	4.462	7
16. Bank interior atmosphere	3.970	12	4.154	14
17. Bank interest in social affairs	4.278	4	4.385	8
18. Recommendations from friends, relatives, neighbours	4.111	9	4.308	11

Scale used 5 very important, 4 important, 3 uncertain, 2 not important, 1 not important at all.

Roman's (1970) statement that the value of using any bank resides as well in the name of it, the surroundings in it, and the personal feelings attached to it.

Contrasting to what was found by many researchers, convenient location ranked the thirteenth among the Islamic banks' selection criteria. This supports the argument of Anderson and Cox (1977) that location criteria may be important but not yet determinant in the decision process. In this respect it is worth mentioning that Elzubeir (1984) ignored the use of "convenient location" as a variable in his analysis regarding Faisal Islamic bank of Sudan choice criteria.

In order to measure the general selection variables or factors underlying a large set of variables, factor analysis is computed to discover a group of variables having a certain characteristics in common. Thus, the eighteen variables of the selection criteria are factor analysed to extract a principle component solution and varimax rotation. The first step is the computation of a correlation matrix. Therefore, a correlation matrix shown in Table 11.2 is calculated based on the computation between the variables. The "R" type factor analysis is considered. Then the factor matrix as shown in Table 11.3 is extracted. Only the factors having latent roots (eigenvalues) greater than one are considered significant; All factors with latent roots less than one are considered insignificant and disregarded (Hair, Anderson, Tatham and Grablovsky, 1984, p. 231).

They argue that the rationale for the eigenvalue criteria is

that any individual factor should account for at least the variance of a single variable ,if it is to be retained for interpretation. The other criterion considered is the percentage of variance criterion; The factoring procedure stopped when the last factor accounted for only a small portion (less than 5 percent) of the variance. Thus, seven factors with eigenvalue of more than one for each, and the seventh one accounted for only 5.6 percent of the variance are extracted. The total cummulative percent of variance accounted by the extracted factors is 52.7 percent. And this is considered satisfactory. According to Hair, Anderson, Tatham and Grablowsky (1984)

" In the social sciences where information is often less precise, it is not uncommon for the analyst to consider a solution which accounts for 60 percent of the total variance (and in some instances even less) as a satisfactory solution". (p. 233)

11.1.1.1 Criteria for the significance of factor loadings

Many writers including Fruchter, (1954), Hair, Anderson, Tatham and Grablowsky (1984, p. 234) suggest that factor loading greater than $\pm.30$ are considered significant. Loadings $\pm.40$ are considered more important, and if the loadings are $\pm.50$ or greater they are considered very significant. so, the larger the absolute size of the factor loading, the more significant the loading is in interpreting the factor matrix. They (p. 236) argue that variables with higher loadings are considered more

important. These variables influence the name or label selected to represent a factor to a greater extent.

11.1.1.2 Interpretation of the factor analysis

The primary step towards the interpretation of the factors is the determination of how many underlying factors will be studied. One important and frequently used way of determining the importance of the successive factors is to evaluate the eigenvalues associated with each factor. According to (Hair and others 1984, p. 255)

"each eigenvalue is a summary index of how much of the variance in the initial correlation matrix is accounted for by the associated factor".

Loading on the factors and the eigenvalues were considered in the interpretation. As shown in Table (11.2) the correlation matrix provides an initial indication of the relationships among the eighteen variables. However, the interpretation of the correlation matrix still involves the examination of numerous relationships, and it is extremely difficult. Hair, Anderson, Tatham, Grablowsky (1984, p. 238) pointed out that such a table of numbers is frequently too large to grasp and interpret effectively. Thus, a more condensed arrangement that will represent the underlying order in the data better is through the

Table 11.2 Islamic banks' choice criteria correlation matrix (Customers opinion).

Variables	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	
1	1.00																		
2	.172	1.00																	
3	.004	.075	1.00																
4	.080	.100	.147	1.00															
5	-.003	.041	.021	.017	1.00														
6	.093	.085	.015	-.006	-.034	1.00													
7	.032	.045	.028	.102	.196	.029	1.00												
8	.020	-.057	-.141	-.075	-.007	.089	.046	1.00											
9	.077	.167	.164	.021	.073	-.003	.040	-.007	1.00										
10	.017	.065	-.001	.011	.086	.059	.016	.028	.145	1.00									
11	.104	.047	.196	.022	.240	.021	.160	.025	.137	.118	1.00								
12	.006	.087	.096	-.024	.106	.058	.113	.083	.163	.038	.162	1.00							
13	.152	.109	.024	.043	.022	-.019	.122	-.048	.167	.125	.100	.161	1.00						
14	.082	.034	.139	.098	-.062	.027	-.042	-.022	.140	.135	.146	.092	.170	1.00					
15	.063	.058	.099	.031	.024	.015	.030	-.086	-.030	.051	.171	.145	.030	.095	1.00				
16	.046	.010	.030	.039	.033	.159	.084	-.077	.005	.056	.201	.127	.078	.082	.291	1.00			
17	.062	.101	-.056	-.019	-.013	.105	-.014	.045	.014	.090	.002	.034	.082	.054	.029	.125	1.00		
18	.157	.074	.009	.058	.078	.101	.076	.017	.053	.101	.045	.103	.155	.092	.158	.123	.099	1.00	

1-Wide range of services, 2-Quick service, 3-High Return on Investment, 4-Simple banking procedures, 5-Convenient location, 6-Friendly staff, 7-Bank advertising, 8-Being an Islamic bank, 9-Long opening hours, 10-Less queuing, 11-Adequate parking, 12-Financial strength of the bank, 13-Loyalty to customers, 14-Low service charges, 15-Low investment risk, 16-Bank's interior atmosphere, 17-Bank's interest in social affairs, 18-Recommendations from friends, relatives, neighbours.

application of factor analytic techniques. It is frequently possible to reduce the correlation matrix to a small set of relationships. Thus, the factor matrix was produced, and presented in Table (11.3).

11.1.1.3 Results of the factor analysis

Looking at the results shown in Table (11.3). the cut off point for this matrix is all loadings $\pm .30$ or above (underlined in the table). The seven extracted factors are discussed below.

Factor One: Loaded significantly on the variables 11,13,12,18,19 ,14, 2. These variables are adequate parking (.53), loyalty to customers (.45), financial strength of the bank (.44), recommendations from friends, relatives, neighbours (.41) long opening hours (.40), low service charges (.39) and quick service (.35). These variables are positively related to each other. This suggests that Islamic bank customers do select the Islamic bank because they regard that the Islamic banks product attributes are convenient in the fact that the Islamic banks provide the service at a low cost, quickly, open for long hours, loyal to their customers, provide adequate parking, and provide the convenience of safety due to their financial strength, moreover, they are recommended by friends, relatives, and neighbours. The eigenvalue for factor one is 2.28; while the percentage of the total variance explained by this factor is 12.7 percent. This factor accounted for the largest variance. Therefore, it is considered the most important factor.

Table 11.3 Factor matrix of Islamic bank customers' choice criterion (Customers' opinions)

Variables	Fact1	Fact2	Fact3	Fact4	Fact5	Fact6	Fact7
1- Wide range of services	.33	.25	-.25	.07	.38	.02	.21
2- Quick service	.35	.07	-.32	.15	.34	.21	-.33
3-High Return on Investment	.32	-.49	-.24	-.22	-.07	.38	-.20
4-Simple banking procedures	.21	-.22	-.28	-.15	.48	.05	.11
5- Convenient location	.27	-.30	.47	.29	.18	-.13	-.32
6- Friendly staff	.20	.46	.08	-.07	.08	.58	-.10
7- Bank advertising	.30	-.18	.39	.24	.40	-.05	.16
8- Being an Islamic bank	-.05	.33	.28	.44	-.15	.31	.37
9- Long opening hours	.40	-.20	-.30	.38	-.23	.14	-.12
10-Less queuing	.33	.13	-.06	.22	-.31	-.23	-.41
11-Adequate parking	.53	-.28	-.30	.01	-.14	.11	-.04
12-Financial strength of the bank	.44	-.04	.22	.14	-.25	.17	.28
13-Loyalty to customers	.45	.07	-.22	.23	-.02	-.43	.25
14-Low service charges	.39	-.01	-.37	-.11	-.38	-.05	.25
15-Low investment risk	.40	.03	.21	-.56	-.06	-.11	.04
16-Bank interior atmosphere	.43	.19	.30	-.49	-.05	-.01	-.08
17-Bank's interest in social affairs	.20	.52	-.04	.01	-.38	-.05	-.36
18-Recommendations from friends, relatives, neighbours	.41	.31	-.02	-.03	.18	-.26	.17
Eigenvalue	2.28	1.38	1.33	1.30	1.15	1.05	1.0
Percent of variance	12.7	7.7	7.4	7.2	6.4	5.8	5.6
Cummulative percent of variance	12.7	20.3	27.7	34.9	41.3	47.2	52.7

The variables loaded significantly on this factor have the common characteristics of convenience and interest in the customers. Thus, factor one which represents these variables is interpreted and labelled "*Customers Convenience and Interest*".

Factor Two: is identified by the high loadings of two variables and accounted for 7.7 percent of the total variance. The eigenvalue of this factor is (1.38). The variables representing factor two are: Bank interest in social affairs (.52) and high return on investment (-.49). Bank interest in social affairs is positively correlated. While the high return on interest is negatively correlated. Thus, this factor is interpreted and labelled "*socially orientated factor*" because it is named by the name of the higher positive loading variable, which is bank interest in social affairs.

Factor Three: is identified by the high loading on: Convenient location(.47). Therefore, this factor is interpreted and labelled "Convenient location" because this variable has the highest loading on this factor, although it loads also on factor 2 with (-.31), and on factor 7 with (-.32). Other variables load on this factor (factor 3) such as bank advertising, low service charges, and quick services had higher loadings on factors other than factor three, as can be seen from Table 11.3. Yet, it is logical to label factor three "*Convenient Location*". The eigenvalue of this factor is (1.33). This factor accounts for 7.4 percent of the total variance making the cumulative percent of variance to be 27.7 percent.

Factor four: loaded significantly on three main variables accounting for 7.2 percent of the total variance, with an eigenvalue of (1.30). These variables are: Low investment risk (-.56), Banks Interior atmosphere (-.49) and, "being an Islamic bank (.44). This factor is interpreted and labelled "*Islamic banking*" because being an Islamic bank has the highest positive loading. This reflects the low investment risk of the banks activities due to the annual investment provision deducted from the net annual profit of the Islamic bank as a reserve for investment risk. The banks' interior atmosphere" which has loaded on this factor reflects also an Islamic religious institutions which post many Quranic verses on the interior walls of the bank stating the words of God in prohibiting Riba (Interest). This makes it's interior atmosphere to have the image of Islamic banking. Thus it is logical to label factor four "Islamic banking". In this respect, it is worth mentioning that the three variables accounted for factor three have loadings on other factors as can be seen from Table 11.2.

Factor Five: Loaded significantly on three main variables accounting for 6.4 percent of the variance. The eigenvalue for this factor is 1.15. These variables are simple banking procedures (.48), bank advertising (.40), and wide range of services (.38). These variables reflect the attributes of Islamic banks services in terms of the wide range of their services, the simple banking procedures, the low charges on services, and the advertising of these attributes. These attributes are considered important in the bank selection criteria. Therefore, factor five

is interpreted and labelled: "*banks service attributes*".

Factor Six: is identified by the high loading of the following two variables: friendly staff (.58) and loyalty to customers (-.43). This factor accounts for 5.8 percent of the total variance, with the eigenvalue of (1.05). Being loyal to customers especially when he faces financial problems goes well together with the banks having friendly staff. Therefore, factor six is labelled "*loyalty to customers*". This finding that: loyalty to customers " as one of the most important factors considered by the customers in choosing to bank with their banks supports. Brigham and Weston (1981) argument that being loyal to customers is regarded by the customers as one of the important factors in their banks' selection criteria.

Factor seven: is identified by the high loading of the variable: less queuing (-.41). This factor explains 5.6 percent of the variance with an eigenvalue of (1.00). Therefore, this factor is interpreted and labelled "*Less queuing*". This factor as an important selection criterion led Islamic bank managers to realise that queuing is a problem and they believe that could be solved through introducing labor rather than automation as found earlier, and presented in chapter eight.

Figure (11.1) summarizes the factors extracted with the variables loading significantly on each factor.

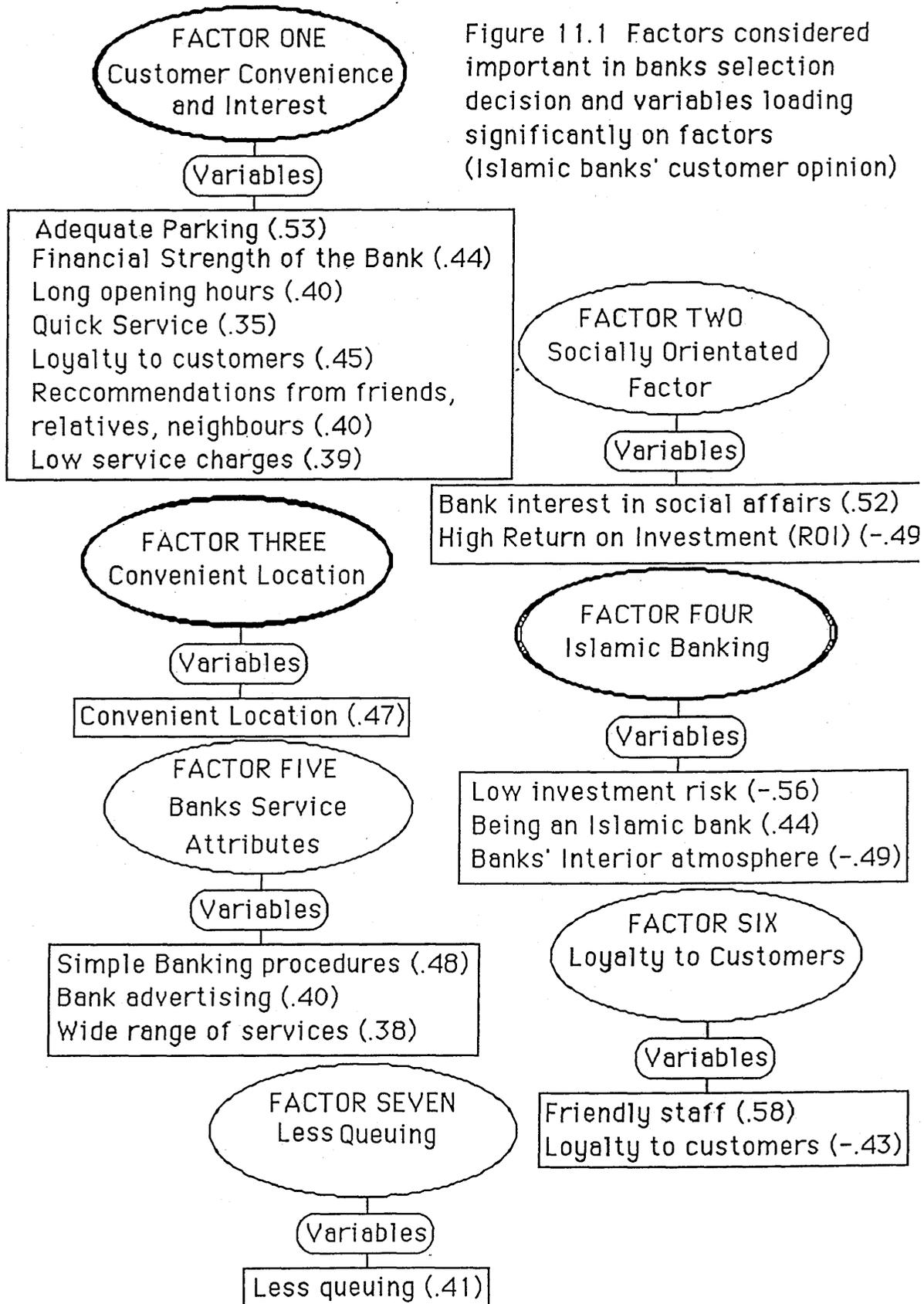


Figure 11.1 Factors considered important in banks selection decision and variables loading significantly on factors (Islamic banks' customer opinion)

11.1.2 Islamic banks' selection criteria

(Branch managers' opinion)

Branch managers' opinion regarding the most important factors customers consider in choosing to bank with the Islamic bank were investigated. The opinions of branch managers regarding this issue are regarded as important. Because they, as field officers, having daily contact with their customers know better than others what stimulate customers to deal with their banks. Their opinions compared with the opinions of the customers reflect their knowledge and understanding about their customers, which will help for future planning and marketing strategies. The same eighteen variables used in the customer questionnaire are used in the branch managers questionnaire. Branch managers are asked to rate the importance of each on a five point scale. A correlation matrix shown in Table (11.4) is calculated based on the computation of the correlation between the variables. The 'R' type factor analysis is considered. The factor matrix shown in Table (11.5) is extracted. Six factors having latent roots (eigenvalues) greater than one are considered significant. All factors with latent roots of less than one are considered insignificant and disregarded. Looking at the results shown in Table (11.5). The cut off point for this matrix is all loadings $\pm .50$ or above (underlined in the table). This relatively high cut off is possible because many high loadings are obtained. Variables 11, 12, 15, 16, and 18 have loadings of .32 or above on factor one, and, thus

Table 11.4 Islamic bank customers choice criteria Correlation Matrix (branch managers' opinions)

Variables	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1	1.00																	
2	.384	1.00																
3	-.146	.161	1.00															
4	.284	.109	-.515	1.00														
5	.515	.093	-.109	.015	1.00													
6	.192	.486	.063	.143	-.123	1.00												
7	-.518	.200	.036	.159	-.530	-.047	1.00											
8	.378	.032	.386	-.072	-.072	.225	-.527	1.00										
9	.083	.329	.384	-.284	-.053	.120	.113	.097	1.00									
10	.617	.237	-.016	.032	.674	.022	-.402	.282	.135	1.00								
11	.022	-.293	.293	-.075	.170	-.051	-.077	-.312	.267	.164	1.00							
12	-.184	.324	-.324	-.247	-.247	.426	-.039	-.015	-.158	-.219	-.591	1.00						
13	.267	.548	-.548	.075	-.170	.385	-.066	-.026	-.267	.164	-.380	.591	1.00					
14	.424	.747	.186	.000	-.181	.490	.211	.248	.424	.000	.227	.268	.227	1.00				
15	.017	.369	.030	.328	-.253	.222	.165	-.112	-.017	-.340	.299	-.177	-.056	.178	1.00			
16	.450	.384	-.384	.745	-.109	.311	.012	-.060	-.115	-.083	.192	-.113	.343	.262	.572	1.00		
17	.385	.841	.222	-.135	-.283	.506	.033	.451	.478	.184	-.241	.252	.426	.813	.245	.237	1.00	
18	-.146	-.580	.161	-.109	-.312	-.211	-.082	.246	-.091	-.237	.039	-.023	-.039	-.186	-.569	-.090	-.233	1.00

1-Wide range of services, 2-Quick service, 3-High Return on Investment, 4-Simple banking procedures, 5-Convenient location, 6-Friendly staff, 7-Bank advertising, 8-Being an Islamic bank, 9-Long opening hours, 10-Less queuing, 11-Adequate parking, 12-Financial strength of the bank, 13-Loyalty to customers, 14-Low service charges, 15-Low investment risk, 16-Bank's interior atmosphere, 17-Bank's interest in social affairs, 18- Recommendations from friends, relatives, neighbours.

Table 11.5 Factor matrix of Islamic bank customers selection criterion (Branch managers' opinions)

Variables	Fact1	Fact2	Fact3	Fact4	Fact5	Fact6
1-Wide range of services	.53	.67	-.32	.12	.17	.11
2-Quick service	.93	-.08	.04	.08	-.30	.09
3-High Return on Investment	-.16	.22	.75	.42	.15	-.11
4-Simple banking procedures	.22	-.17	.74	.20	.31	.31
5-Convenient location	-.12	.75	-.39	.05	-.40	-.10
6-Friendly staff	.66	-.07	.10	-.01	.14	.39
7-Bank advertising	.01	-.73	.16	.20	-.25	.49
8-Being an Islamic bank	.26	.51	.35	-.13	.59	-.05
9-Long opening hours	-.23	.18	.56	.44	-.20	.23
10-Less queuing	.22	.81	-.17	-.09	-.26	.23
11-Adequate parking	-.32	.06	-.07	.72	.06	-.29
12-Financial strength of the bank	.38	-.31	.17	.73	-.13	-.31
13-Loyalty to customers	.61	-.14	-.24	-.56	-.01	-.06
14-Low service charges	.79	-.02	.36	.14	.03	.19
15-Low investment risk	.34	-.39	-.22	.63	.04	-.37
16-Bank interior atmosphere	.51	-.20	-.59	.33	.41	.03
17-Bank's interest in social affairs	.86	.07	.43	-.08	.06	.05
18-Recommendations from friends, relatives, neighbours	-.42	.01	.23	-.31	.68	.26
Eigenvalue	4.4	2.91	2.75	2.51	1.60	1.08
Percent of variance	24.5	16.2	15.3	13.9	8.9	6.0
Cummulative percent of variance	24.5	40.7	55.9	69.9	78.7	84.7

can be considered significant. But their loadings substantially below all other variables considered significant (.32 versus .60 or highest), is lower than their loadings on other factors, and to include them would violate the guidelines for simple structure factor solutions i.e only one loading on any factor for each variable . Thus, they are not considered significant. Substantive interpretation is based on the significant higher loadings. Factor One has five significant loadings, Each of the factors two and three has four significant loadings. While factor four has three significant loadings. Nevertheless, factor five has two significant loadings (significant loadings are underlined). Following is a discussion of each factor.

Factor One: Loaded significantly on the variables 2, 6, 13, 14, and 17. These variables are Quick service (.93), bank interest in social affairs (.86), low service charges (.79), friendly staff (.66), and loyalty to customers (.61). These variables are positively related to each other. This suggests that branch managers believe that their customers select the Islamic bank because they regard that the staff is friendly, provide the service quickly, charge low services, the banks are loyal to their customers and Islamic banks are socially orientated. A possible name for this factor may be "*Customers convenience*". The eigenvalue for this factor was (4.4). The total variance explained by this factor was 24.5 percent . Thus, this factor was considered the most important factor. This result is consistent with the customers' opinion .

Factor Two: is identified by the high significant loadings of

the four variables 1,5,7, and 10. These variables are: Less queuing (.81), convenient location (.75), bank advertising (-.73) and wide range of services (.67). Variables 1- wide range of service, and 5- convenient location and 10- less queuing are positively related to each other, and negatively related to variable 7- bank advertising. This suggests that the branch managers believe that their customers regard the convenient location of their bank with its wide range of services, and the less queuing as important variables in selecting their banks. Thus, this factor is interpreted and labelled "*Convenient location*" because convenient location and less queuing" have the highest significant positive loadings on this factor. The eigenvalue of this factor is 2.91 and this factor accounts for 16.2 percent of the total variance.

Factor three: Loaded significantly on the following four variables, 3,4,9, and 16. These variables are high return on investment (.75), simple banking procedures (.74), long opening hours (.56), and bank's interior atmosphere (-.59).

Variables 3- high return on investment, 4- simple banking procedures, and 9-long opening hours are positively related to each other, and negatively related to variable 16 bank interior atmosphere. This, might indicate that branch managers believe that their customers select to bank with their banks because of the high return on investment, the simple banking procedures, and long opening hours. Thus, this factor is interpreted and labelled "*Profitability*" because the high return on investment has the highest significant positive loading. The eigenvalue for this factor is (2.75). This factor accounts for 15.3 percent of

the total variance making the cumulative percent of variance explained by the three factors to be 55.9 percent.

Factor four: is identified by the high significant loadings of variables 11,12, and 15. These variables 11- adequate parking (.72), 12- financial strength of the bank (.73), and 15- low investment risks (.63) are positively correlated with each other. This suggests that branch managers believe that their customers choose the bank because of the financial strength of the bank, which makes the investment risk to be low, and because of providing adequate parking. These variables go well together and accounted for 13.9 percent of the total variance with an eigenvalue of 2.51 making the cumulative percent of variance to be 69.9 percent. This factor is interpreted and labelled "*financial strength of the bank*".

Factor five: Two variables loaded significantly on factor five, and accounted for 8.9 percent of the total variance with the eigenvalue of 1.6 , thus making the cumulative percent of variance to be 78.7 percent. These variables are recommendations from friends, relatives, and neighbours (.68) and being an islamic bank (.59). These two variables are positively correlated. This suggests that branch managers believe that their customers rely on the recommendations of their friends, relatives, and neighbours in selecting their Islamic banks on the basis of being Islamic bank. This factor is interpreted and labelled "*Islamic Banking*".

Factor Six: is extracted and accounted for 6 percent of the

total variance with an eigenvalue of 1.08. But following the criterion that loading of + .50 is considered significant and no one variable is to be used in two factors. No one variable loads significantly on this factor. In spite of the fact that five variables load on this factor with loadings ranging from .31 to .49, but all have higher loadings on other factors. Thus, this factor is disregarded and only the first five factors are considered. These are summarized in figure (11.2) with the variables loading significantly on each factor .

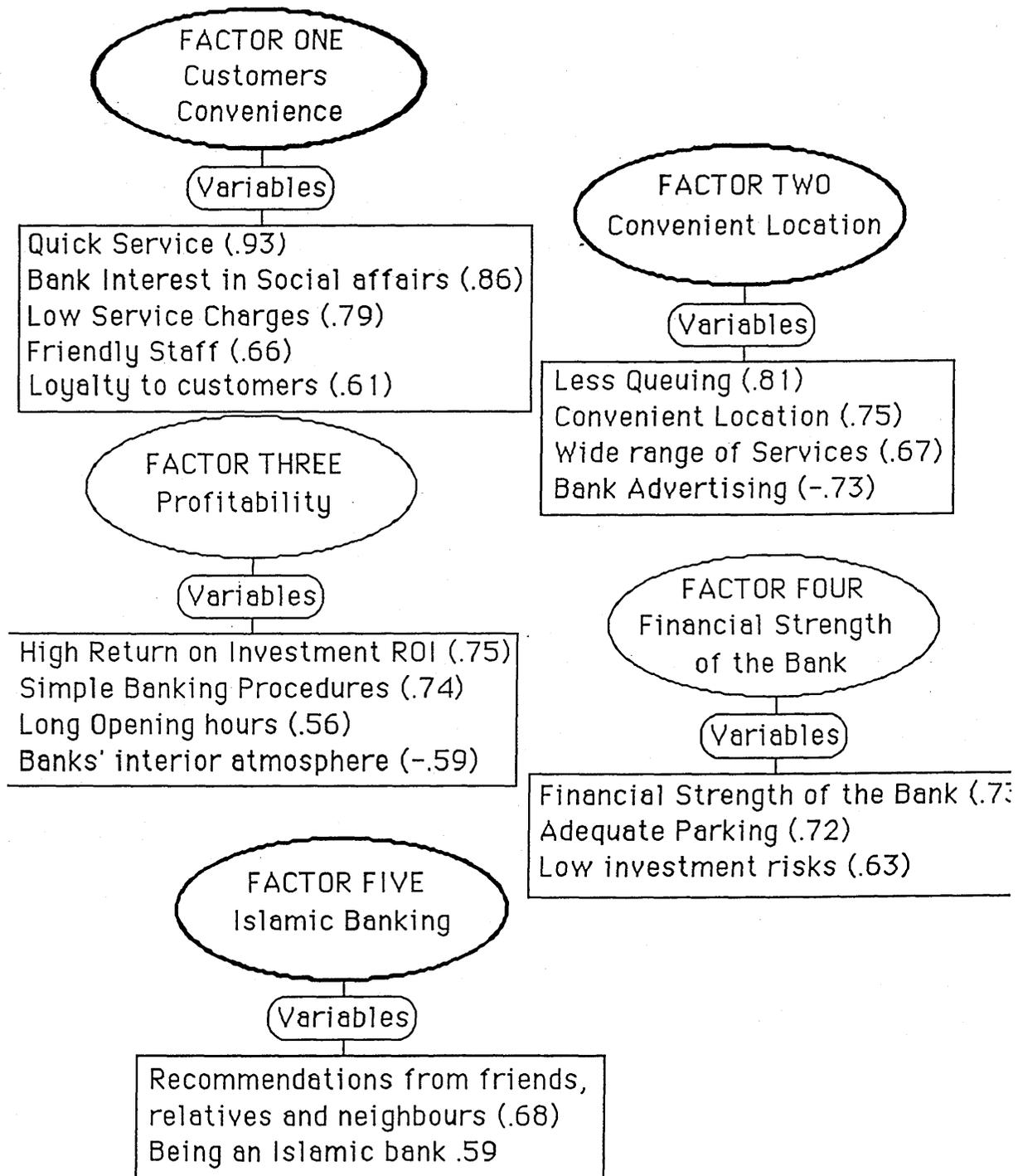
11.1.3 Comparison between the opinions of branch managers and the Islamic bank customers regarding the important selection criteria.

Table 11.1 shows that differences in opinion between branch managers and their customers regarding the importance of each of the selection variables. The most first important five variables considered in the selection decision process as perceived by both branch managers and Islamic bank customers are presented below.

1. According to Islamic banks' customers

	Mean	Rank
1- Being an Islamic bank	4.675	1
2- Friendly staff	4.473	2
3- Financial strength of the bank	4.328	3
4- Bank interest in social affairs	4.278	4
5- Loyalty to customers	4.270	5

Figure 11.2 Factors considered important by Islamic bank customer selection decision, and variables loading significantly on each factor.(Branch managers opinion).



<u>According to Branch managers</u>	<u>Mean</u>	<u>Rank</u>
1- Less queuing	4.769	1
2- Financial strength of the bank	4.769	1
3- Quick service	4.692	3
4- Friendly staff	4.692	3
5- Loyalty to customers	4.538	5

These results indicate that the branch managers and their customers agree on the following variables to be considered as the first five important factors in the selection decision process. These are: Friendly staff, financial strength of the bank, and loyalty to customers

As for the least important factors, those rank 14 to 18 are considered the least important factors. These are:

<u>According to Islamic banks' customers</u>	<u>Mean</u>	<u>Rank</u>
1- Low service charges	3.786	14
2- Bank advertising	3.685	15
3- Low investment risks	3.672	16
4- Long opening hours	3.522	17
5- High return on investment	3.415	18

According to branch managers

1- Wide range of service	4.154	14
2- Bank interior atmosphere	4.154	14
3- Low service charges	4.000	16
4- Bank advertising	3.923	17
5- Long opening hours	3.846	18

It is clear that there is an agreement that the following

three variables are considered by both groups as being of the least important selection criteria. These are: low service charges, bank advertising, and long opening hours. This common agreement on these three variables to consider them of low importance might be due to the fact that bank customers, in general, rarely know how service charges are calculated. Therefore, they do not know whether these charges are low or high compared to other banks. While considering the long opening hours as of less important is because most banks do not differ in their opening hours. On the other hand, regarding bank advertising as of low importance may be because as found earlier, Islamic bank managers are not interested in advertising, thus, it is considered a low important selection criterion by both branch managers and customers. This reflects that customers are not attracted by the banks' advertising.

Comparing the factors extracted by using the factor analysis, one can find that

1- The cut off point for the factor analysis matrix of the customers opinions is all loadings $\pm .30$ or above are considered significant, while the cut off point for branch managers is $\pm .50$. This is due to the high loadings of variables according to the branch managers' opinions.

2- Six factors are extracted according to branch managers' opinions with a cumulative percent of variance of 84.7 percent. While seven factors are extracted according to customers' opinions accounting for 52.7 percent of the variance. This is due to the large sample of customers used.

3- Three common factors are found between the branch

managers' opinion and customers' opinion. These are: Customer convenience, Convenient location, and Islamic banking.

4- Differences are found in the following: branch managers consider Profitability, financial strength of the bank as important extracted factors. While customers consider social responsibility, loyalty to customers, Bank service attributes, and less queuing as important extracted factors.

5- These results indicate implications for islamic banks' marketing strategies.

11.2 Islamic banks' role in informing their customers about Islamic banks' concepts

Because Islamic banks differ from other conventional banks in several areas as pointed out in chapter seven, a great role is expected from these banks to be played to inform their present customers as well as the potential ones about Islamic banking concepts. Islamic bank customers are asked to rate the importance of the Islamic banks role in informing them about the Islamic banking concept on a five point scale. The mean scores and the ranking of the mean scores of the responses are shown in Table 11.6.

The mean score of more than 3 for all the above concepts indicates that the role of the Islamic banks was considered important. Thus, Islamic banks should increase their role through the use of brochures, direct mail, and other advertising media.

Table 11.6 The importance of the Islamic banks role in informing their customers about Islamic banks concepts

N = 467

Concept	Mean score	Rank
Islamic banking in general	4.015	1
Mudaraba	3.470	4
Musharaka	3.594	3
Murabaha	3.848	2

Seminars are very helpful in this regard. Lectures in universities, schools by key officials of the banks are useful means to inform present and potential customers about the Islamic banking concepts. This will help increase the use of the services related to these concept. The decrease in the use of these services such as Mudaraba, Musharaka, Murabaha might be due to the lack of information about the meaning of these concepts.

11.2.1 Personal attributes of customers and their opinions in relation to the role of Islamic banks

11.2.1.1 Marital status, sex

It was found that there is a significant association between the marital status of the customers, and their opinions in relation to the Islamic banks' role in informing customrs about

Islamic banking in general ($X^2 = 10.250$ D.F = 4 , $P \leq 0.05$). while no significant association is found between the marital status and the importance of the role of the Islamic banks in regard to informing customers about the Musharaka, Murabaha, and Mudaraba. Chi square test of significance is found not significant at any level.

Significant association is found between the sex of the customers and each of the Mudaraba, and Musharaka. Chi square test of significant is significant with both variables at 0.01 level as shown in Table 11.7. This may be due to the fact that these two variables are mainly related to financing business activities. These are mainly used by males in Jordan rather than women.

Table 11.7 The chi square test of significance between the marital status, sex of customers and the importance of the Islamic banks role in informing customers about the Islamic banks' concepts.

Islamic banks concepts	Marital Status			Sex		
	X^2	DF	P	X^2	DF	P
Islamic banking in general	10.250	4	$\leq .05$	8.53	4	0.07*
Meaning of Mudaraba	4.530	4	0.47*	16.32	4	$\leq .01$ M
Meaning of Musharaka	7.245	4	0.20*	15.22	4	$\leq .01$
Meaning of Murabaha	9.06	4	4.11*	6.66	4	.24*

*Not significant.

11.2.1.2 Other personal attributes: Analysis of variance

Analysis of variance technique is used to measure the differences between group of customers (age group, educational group, and income group) in relation to their opinions towards the importance of the role of the Islamic banks in informing customers about the Islamic banking concepts. Results are shown in Table 11.8.

These results indicate that: significant differences are found between the income groups of customers and their opinions in respect to the importance of the Islamic bank role in informing their customers about the meanings of two concepts (i.e. Mudaraba F value = 2.963 , $P = \leq 0.05$), and Musharaka (F value 4.41, $P = \leq 0.01$). This may be due to the nature of these two concepts. Those who enter into Mudaraba usually do not have money (i.e. of low income), use their talents rather than their capital and the bank provides all the capital needed for the venture. While those who enter into Musharaka provide part of the capital and talents (i.e. of higher income group) and the bank provides the other part. These services are merely investment services and those who need to use them need to be informed more about them, and they have to be of a different income group from others. No significant difference is found between the age groups. or the educational levels of customers, and the role of the Islamic banks regarding the meaning of any of the Islamic banking concept. This might be due to the unwillingness

of the Islamic banks to distinguish between the different age groups, and educational levels of customers in their marketing strategies.

Tabel 11.8 The role of the Islamic banks in informing customers about:

a) Islamic banking (Analysis of Variance)

	<u>SS</u>	<u>DF</u>	<u>MS</u>	<u>F</u>	<u>Significance of F</u>
Education	0.877	3	0.292	0.251	0.861*
Age	3.448	3	1.490	.961	0.411*
Income	1.937	3	0.646	0.542	0.654*

b) The meaning of MUDARABA

Education	2.813	3	0.938	0.542	0.654*
Age	12.925	3	4.308	2.519	0.058*
Income	15.173	3	5.058	2.963	≤0.03

c) The meaning of MUSHRAKA

Sex	8.331	1	6.594	4.41	0.005
Education	2.802	3	0.934	0.610	0.609*
Age	5.220	3	1.740	1.142	0.332*
Income	19.782	3	6.594	4.41	<u>0.005</u>

d) The meaning of MURABAHA

Education	5.052	3	1.684	1.022	0.383*
Age	2.678	3	.893	0.538	0.656*
Income	4.869	3	1.623	.973	0.405*

*Not Significant

11.3 The importance of the promotional media used

Generally speaking customers can easily acquire information about banks from various sources. There are easily accessible sources such as newspapers, radio, T.V, brochures, posters, give away gifts, direct mail, banks sponsoring sports and other events, and recommendations from their friends, relatives and neighbours. A further consideration of this study is which media customers of Islamic banks evaluated as the most informative in terms of available services. Customers are asked to rate the importance of each media on a five point scale ranging from 5 very important to 1 not important at all. Results are shown in Table 11.9.

The table shows that customers regard the first four means of media as important. Each has a mean score of more than 3. While direct mail, give away gifts, and bank sponsoring sports and other events are regarded as not important with mean scores of less than 3. Customers are relatively uncertain about the importance of T.V. and Radio ($X = 3.05$). The most important type of media regarded is the recommendations from friends, relatives, and neighbours. This variable made a mean score of 4.05. Thus ranks first in importance; posters and leaflets in branches rank second in importance, with a mean score of 3.28. Press ranks third, and T.V. and radio rank fourth in importance.

These results confirm previous findings in Chapter Eight that Islamic bank managers are rarely using these types of media

which are considered not important by the customers or they are uncertain about their importance (see Table 8.9). These results indicate that Islamic banks role in attracting customers through promotional media is low. Because recommendations from friends, relatives and neighbours is considered the most important media. This confirms the previous findings that Islamic banks disregard the use of advertising whether through T.V. and radio, or through direct mail, give away gifts, or sponsoring sports and other events. This might have affected the attitudes of some of their customers to use services offered by other conventional banks.

Table 11.9 The importance of the promotional media used by Islamic banks in Jordan.

Media	5	4	3	2	1	Mean score	Rank
	N	N	N	N	N		
1- .V. and Radio	140	88	32	70	137	3.05	4
2- Press	145	116	31	71	104	3.27	3
3- Recommendations from friends, relatives, and neighbours	235	138	16	39	39	4.05	1
4- Posters and leaflets in branches	125	115	65	91	71	3.28	2
5- Direct mail	91	86	75	82	133	2.83	5
6- Give away gifts	78	82	37	118	152	2.60	6
7- Bank sponsoring sports and other events	82	103	59	100	123	2.83	5

5=Very important, 4= Important, 3= Uncertain, 2= Not Important, 1= Npt Important at all .

11.3.2 Importance of the promotional media according to the personal attributes of customers.

11.3.2.1 Marital status and sex

A noticeable association is found between the opinions of Islamic banks' customers according to their marital status and the importance of the direct mail media, and give away gifts. The chi square test of significant is found to be significant at .05 level. While no significant association is found between the marital status of the customers and their opinions regarding the importance of the other promotional media as shown in Table 11.10

The sex of the customers is associated only with their opinions regarding the importance of the direct mail. The chi square between these two variables is found to be significant at the 0.05 level. Thus, direct mail is associated also with the marital status of customers. This may be due to the fact that direct mail is a personal mean addressed to a specific person. Thus, married persons might differ from single ones in their opinions regarding the importance of this personal mean, and the male ones might differ in their opinions from the women regarding the importance of direct mail. This may be related to the culture of Jordan in which women mail privacy is relatively not accepted, whether they are married or single.

Table 11.10 The chi square test of significance between the marital status, sex of customers and the importance of the promotional media used by Islamic banks in Jordan

Promotional media: Importance of	Marital status			Sex		
	X ²	DF	P	X ²	DF	P
- T.V. and Radio	1.99	4	0.73*	5.25	4	0.26*
- Press	0.869	4	0.93*	5.767	4	0.21*
- Recommendations from friends, relatives and neighbours	6.400	4	0.17*	7.400	4	0.11*
- Posters	2.230	4	0.69*	1.37	4	.84*
- Direct Mail	12.50	4	<u>≤0.05</u>	15834	4	<u>≤0.05</u>
- Give away gifts	10.101	4	<u>≤0.05</u>	0.650	4	0.95*
- Banks sponsoring in sports and other events	3.550	4	0.61*	2.20	4	.82*

* Not significant

11.3.2.2 Analysis of variance

Analysis of variance technique is used to measure the differences between groups of customers (age group, educational group, and income group) in relation to their opinions towards the importance of the promotional media used by the Islamic banks. The result are shown in Table 11.11. These results indicate that:

- 1- No significant differences between the groups of Table

11.11 Analysis of Variance: The importance of promotional media used by the Islamic banks and some personal attributes of customers.

a) T.V and Radio and:

	SS	DF	MS	F	Significance of F
Educational level	3.835	3	1.278	0.472	0.7*
Age group	3.264	3	1.088	.400	0.753*
Income group	2.546	3	0.849	0.312	0.817*

b) Press

Educational level	6.410	3	2.137	0.865	0.459*
Age group	0.533	3	0.178	0.072	0.975*
Income group	27.878	3	9.293	8.42	0.01

c) Recommendations from friends, relatives and neighbours

Educational level	7.347	3	2.449	1.50	0.214
Age group	13.583	3	4.528	2.789	.05
Income group	2.045	3	0.682	0.418	0.740

d) Posters, leaflets, brochures

Educational level	.0577	3	0.192	0.094	0.963*
Age group	2.283	3	0.761	0.370	0.775*
Income group	12.113	3	4.38	1.990	0.115*

e) Gifts

Educational level	13.510	3	4.503	2.05	0.106*
Age group	4.390	3	1.463	0.658	0.578*
Income group	3	13.598	6.276		0.000

f) Direct mail

Educational level	14.667	3	4.889	2.196	0.088*
Age group	3.743	3	1.348	0.550	0.649
Income group	21.474	3	7.158	3.229	0.02

g) Bank sponsoring

Educational level	41.499	3	13.833	6.560	0.000
Age group	26.218	3	8.739	4.091	.007
Income group	57.404	3	19.135	9.245	0.000

* Not significant at .50 or less level of significant.

customers according to their age, or educational level, or income, are found on their opinions in respect to the importance of T.V. and radio, and the importance of posters and leaflets in branches. This is in conformity with what is found before that customers, in general, are uncertain about the importance of T.V and radio, and regard the posters and leaflets in branches as not important.

2- Significant differences are found between the educational levels of customers and their opinions in respect to the importance of bank sponsoring sports and other events. The F value of 6.560 is highly significant ($P= 0.000$) denoting a significant difference between the educational levels of customers in this respect. No significant differences are found between the educational levels of customers and their opinions regarding the importance of each of the following media: T.V. and radio, press, recommendations from friends, relatives, and neighbours, posters and leaflets in branches, give away gifts, and direct mail. F value is not significant at any level of significance.

3- Age group: Significant differences are found between the age groups of customers and their opinions in respect to the importance of the recommendation from friends, relatives, and neighbours. F value of 2.789 is significant at the .05 level ($P \leq .05$). While no significant differences are found between the age group of customers and any of the other promotional media.

4- Income group:

Significant differences are found between the income group

of customers and their opinions regarding the importance of each of the following promotional media: Press ($F = 8.42$, $P = \leq 0.01$), give away gifts ($F = 6.276$, $P = 0.000$), bank sponsoring sports and other events ($F = 6.560$, $P = \leq 0.000$), and direct mail ($F = 3.229$, $P = ,0.05$). The F value of 6.276 and 6.560, are significant at 0.000, while $F = 8.42$ is significant at 0.01 level and $F = 3.229$ is significant at 0.05 level denoting significant differences between the annual income groups and the above mentioned variables. While no significant differences are found between the annual income of customers and their opinions regarding the importance of the following variables: T.V. and radio, Recommendations from friends, relatives and neighbours, and posters. The F value for each of the above variables is not significant at any level of significance.

11.3.3 Period of knowledge about the Islamic banks and the importance of the promotional media used by the Islamic banks

It is assumed that the more important the promotional media regarded by the customers, the less time he/she needs to learn about the Islamic banks. Correlation technique (spearman) is used to measure this assumption. Results are shown in Table 11.12.

Results ; However, do indicate that significant negative correlation between the period of knowledge about the Islamic banks and the importance of each of the promotional media used. Although the correlation is relatively low with all the

correlation values ranging from -0.08 as for posters and leaflets in branches to .202 as for banks sponsoring sports and other events. The negative correlation with all the promotional variables supports the assumption that the more important the promotional media considered by the customers, the less time is needed to learn about the Islamic bank. These results reject the null hypotheses that there is no significant association between the period of knowledge about the Islamic banks by the customers and their opinions regarding the importance of each of the promotional media. This implies that Islamic banks should apply a more effective promotional strategy addressed to present as well as potential customers using several promotional media. This will help minimize the informative period about these banks, which will lead to increasing the market share and the use of more services by the customers.

Table 11.12 Correlation between the period of knowledge about the Islamic banks and the importance of promotional media used.

Importance of the promotional Media used	r	P
- T.V. and radio	-.129	≤0.05
- Press	-.107	≤0.05
- Recommendation from friends, relatives, and neighbours	-.1009	≤0.05
- Posters and leaflets in branches	-0.08	≤0.05
- Direct mail	-.1499	≤.01
- Give away gifts	-.129	≤0.05
- Bank sponsoring sports and other events	-.202	.000

11.4 Summary

This chapter has been devoted to explain the findings of the research study regarding the most important factors which lead customers of Islamic banks in Jordan to choose to bank with their Islamic banks, and the importance of the Islamic banks' role in informing their customers about the Islamic banking concept. Adding to this, the importance of the promotional media used by the Islamic banks is explored.

Findings of this study are that "being an Islamic bank" ranks first in importance as a bank selection criterion. While "high return on investment" ranks the least in importance by the customers. Using a factor analysis technique, seven factors are extracted according to the customers' opinions, and five factors are extracted according to the branch managers' opinion. There is an agreement on three factors between customers and branch managers. These are: *Customers convenience*, *Convenient location*, and *Islamic banking*. While differences in opinions are found on the other factors. Customers consider the *"social responsibility"*, *"loyalty to customers"*, *"service attributes"*, and *"less queuing"* as the other selection factors, while branch managers regard the *"profitability"* and the *"financial strength of the bank"* as the other most important factor.

The Islamic banks' role in informing their customers about the Islamic banking concepts is considered important by the customers. Significant association is found between the sex of the customer and the importance of Islamic banks' role regarding

informing customers about the meaning of Mudaraba, and Musharaka, while significant association is found between the marital status of the customers and the importance of the Islamic bank role in informing them about the concept of "Islamic banking in general".

Analysis of variance reveals that significant differences are found between the income group of customers and their opinions regarding the importance of the Islamic banks role in educating them about Mudaraba and Musharaka.

Recommendations from friends, relatives and neighbours is found to be the most important promotional media, then followed by the "in branch posters and leaflets". "Give away gifts" and "Bank sponsoring sports and other events" and "direct mail" are not found to be important promotional media. Customers are relatively uncertain about the importance of T.V. and radio; ($\bar{X} = 3.05$). This might indicate that Islamic banks disregard the importance of the use of advertising whether through T.V, and radio, or through direct mail, give away gifts and sponsoring sports and other events as previously found and discussed in Chapter Eight. This might have affected the attitudes of Islamic bank customers to use services offered by other conventional banks. These results have implications for Islamic banks marketing strategies.

CHAPTER TWELVE

CONCLUSIONS, RECOMMENDATIONS AND IMPLICATIONS OF THE RESEARCH

12. Introduction

This chapter begins with a review of the main objectives of the research study, followed by a summary of the findings from the analysis of data pertaining to both parts of the study: managers' study, and customers' study. Implications for marketing strategy for Islamic banks in Jordan, and implications for further research in the field are presented.

The main purpose of the study is to explore the extent to which the marketing concept has been accepted and implemented by the Islamic banks in Jordan. A major objective of the study is the clarification and analysis of the opinions of Islamic banks managers towards the marketing concept, in addition to the clarification and analysis of their customer's attitudes towards the Islamic banks' attributes. Areas of interest are probed such as: the description of Islamic banks, areas of difference between these banks and other conventional banks, importance of the perceived banking goals, the managements' understandings of the marketing concept, their degree of acceptance and implementation of the marketing concept i.e. their opinions towards the customer orientation, the profit orientation, the integration and the organisation of the marketing activities, and the social responsibility of the bank.

Moreover, their opinions regarding the marketing strategies of these banks involving the marketing mix are considered. Customers personal attributes, and their opinions regarding the factors perceived important in their banking selection decision of their Islamic banks, and services used by them are explored.

Their opinions towards the importance of the promotional media used, and the role of the Islamic banks in informing them about the Islamic banking concept constitute a basis for the Islamic banks marketing strategies.

The study is important in the light that it is the first systematic study about Islamic banks' marketing in Jordan, and it is one of the very few studies about bank marketing in the Arab World as well as other developing countries. This study hopes to provide empirical data which is rarely found on the marketing orientation of the Islamic banks. The empirical data concerning the Islamic banks in Jordan, its collection and analysis is one of the major contributions of this study, especially if we know that effective market research in the banking industry in the Arab World until recently is almost non-existent (Hasan and Shook, 1986). The absence of such studies creates a gap in the literature. This study hopes to provide necessary and important information to help Islamic banks in Jordan, and elsewhere, employees, schools of business administration and researchers alike. Moreover, it is hoped that this research will contribute to the literature on bank marketing and thus add to our global and cross cultural

understanding of the marketing management, hence this study is expected to help open the door to further research of the phenomenon of bank marketing in Jordan and other Arab and Islamic countries from different perspectives and with different perceptions.

12. 1 Findings and Conclusions Pertaining to the Islamic Banks Managers Study

Islamic banks managers in Jordan describe their banks as predominantly commercial and development banks of an Islamic nature. This might be due to the fact that Islamic banks investments tend to be of a long term nature, which leads the respondents to describe their institutions as partly developmental. This alongside the fact that these banks accept deposits in the same way as commercial banks, leads those interviewed to conclude that the banks are essentially a mixture of both commercial and developmental elements.

A common agreement is found among the Islamic banks' managers (both at the senior executive and branch levels) that "in not receiving or paying interest" is a significant area of difference between the Islamic banks and the conventional banks. While differences in opinions regarding the consideration of other areas as areas of difference are found . The majority of the branch managers (77%) consider differences in the areas of " in the kinds of investments", " in the types of deposits", and "in the services rendered". While less than half of the senior executives regard these as areas of difference. Other areas

regarded as differences by some branch managers are "in the sources of financing", and "in the ways of charging for services". While these are not regarded as differences by any of the senior executives. These differences in opinions between branch managers and senior executives might be due to the fact that senior executives are policy makers, while branch managers are field officers. Therefore, senior executives as policy makers tend to regard areas such as "in the sources of financing" or "in charging for services" as areas of difference because the general policy of accepting deposits as a source of finance and charging for services on a commission basis, are similar in both types of banks. Conversely, branch managers, as field officers, are responsible for the implementations of the executives' policies, notice the differences in the implementation. Deposits are accepted by the Islamic banks on a profit and loss sharing (PLS) basis, while conventional banks accept deposits on a fixed interest basis. Both types of banks charge for services on a commission basis, but they differ in the implementation of such a policy. Islamic banks charge for the services on a fixed standard rate for each transaction irrespective of the amount of the service and the time needed to produce the service, while conventional banks take into consideration the amount of the service and the length of time demanded to perform the task, and to produce the service.

Data suggests that the most important Islamic bank marketing goals are found to be "to develop Islamic bank image"

and "to satisfy customers' needs". Islamic banks in Jordan do not perceive "cross selling" as an important banking goal. This is evident from the findings that "to direct customers to certain types of services" is considered the least important possible banking goal.

Islamic banks' managers in Jordan at both senior executive and branch levels attitudes towards the marketing concept are found to be similar to that which was found in Europe in the late 1970s as summarised by Knox (1975). He goes on to say that most of the financial services, especially banks, fail to determine what their business is. They sell their services in a conservative fashion, waiting for business to come to them rather than actively going out and looking for business.

Data suggests that even though the Islamic banks' managers have a narrow understanding of the marketing concept, they have a positive attitude towards the concept, but these banks are not affected by the concept in the same way as Western banks. To this extent, it is believed that Islamic banks' managers are more value orientated. This is reflected in their opinions towards the facets of the marketing concept.

Islamic banks in Jordan are customer orientated. This is expressed in the opinion of their managers. These managers put the "customer satisfaction" and "developing the banks' image" at the top of the list of their objectives. Moreover, these banks are found to be profit orientated, and socially responsible. This indicates their acceptance of the marketing concept in some of

its facets, but rejection of other of its facets. They accept the customer orientation, the profit orientation, the social orientation, but depreciate the value of the marketing department. Islamic banks' senior executives are found to have a better grasp of the marketing concept than branch managers. They regard the marketing concept as more important than branch managers.

The data on the scope of activities and the organisation of the marketing administration appeared inconsistent with the agreement expressed by the Islamic banks' managers (both at the senior executive and branch levels) on the importance of the marketing concept in Islamic banks. The marketing department is not found by the Islamic bank in Jordan. Furthermore, marketing is not perceived to be the merit of any bank executive. The marketing function in Islamic banks has not been given the same status like other departments. No indication that a marketing department will be established in the near future, and even should it be established, it is not likely to be given the same status as other major departments. This indicates that marketing is of minor importance to the Islamic banks in Jordan. The explanation of this would be that these banks are newly established and are operating in an environment where even the well established conventional banks did not organise their marketing activities in a form of a department. Managers of these banks were conventional bankers before, and are influenced by their experience in other conventional banks in their management and organisational

behaviour . This would explain the findings that Islamic banks in Jordan are less likely to have a centralised form of organisation for their marketing activities. They are more likely to have no designated structure for the marketing activities. They have a more informal *ad hoc* approach to perform their marketing activities. It is also found that the scope of the marketing mix activities is very important. These Islamic banks are likely to undertake such activities and perform them formally or informally. They are less likely to carry out the marketing mix activities in a marketing department. It is also anticipated that as these banks grow more attention will be directed towards the integration of marketing with the other functions of these banks.

Data suggests that Islamic banks have favourable attitudes toward market research, although , they tend to misunderstand the concept . Some agreement in the opinions of both managerial groups regarding the statements measuring marketing research are found while some differences in their opinions exist. Areas of market research most frequently researched are found to be "the appraisal of customers satisfaction" and "to ensure compliance of the Islamic banks with the Islamic Sharia.

This is evident from the findings that all activities of the bank have to be studied by the Islamic Sharia Consultant of the bank after initially agreed upon by the bank management. To ensure compliance with the Islamic Sharia, the consultant has to submit an annual report to be published in the annual report of the bank, accompanied with the auditors report. An example

of which is the following wordings of the Islamic Sharia Consultant Report of the Jordan Islamic Bank for the financial year ended on 31 December 1988 as published in the Annual Report of the Bank of 1988.

**"IN THE NAME OF ALLAH, THE COMPASSIONATE,
THE MERCIFUL"**

Islamic Sharia Consultant Report for the Financial Year ended on 31st December 1988.

TRANSLATED

Dear brothers shareholders,

Assalamu Alaikumu Wa Rahmatullahe Wa Barakatohu

In accordance with Article No. (28) of the special law of the Bank No. 62/1985, and by virtue of par (b) of Article No. (45) of the Articles of Association of the Bank, I hereby present the following report:

1-When the Management of the Bank intend to prepared a draft to put forward new regulations or instructions to be executed or new contracts concerning development and investment, according to the Special Law of the Bank and its internal regulations, or a new idea or transaction have been presented to them that had not been approved previously according to Sharia standpoint; I used to meet with the Bank's General Manager, Deputy General Manager and Assistant General Manager, and sometimes Mr. Mahmood Abu Khalaf, the legal Consultant to participate in the discussion in order to study the said draft to specify what is required, then determine Sharia

standpoint, and consider any legal text related to the idea, when it is needed.

2-After the study and discussions are completed in one meeting or more the Management of the Bank sends me photocopy of the regulations, instructions and contracts initially agreed upon its suggested wording, in order to elucidate Sharia standpoint and to ascertain that they comply with Sharia standpoint, I answer them in accordance with Sharia point-of-view in all cases, negatively, positively or in case of amendment.

3-In accordance with General Manager's letter No. 70/298 dated 10th January 1989, the Bank did not sustain any loss in Joint Investment operations framework for 1988, except what is mentioned in the two letters of the General Manager which have been sent to the Sharia Consultant, letter No. 70/5817 date 16/6/1988 and letter No. 70/298 date 9/1/1989.

4 -On 4th Thu Al Qiadah 1408H. coinciding 18th June 1988, I have answered the General Manager on his first letter and I have answered him on his second letter on 2nd Jamadah Al Thani 1409, coinciding 10th January 1989 and the outcome of the two answers specified that the Bank has sustained some losses as a result of practicing the Bank investment operations, we did not notice the occurrence of any negligency or unobservance. Therefore, the debiting of subject amounts to the joint investment revenues account for the year 1988, after the ratification of the Board of Directors is in order and it is in

compliance with Sharia Point-of-View.

Wa Assalamu Alaikumu Wa Rahmatullahe Wa Barakatuhu.

Sheikh Abdul Hamid Essayeh.

**Sharia Consultant of
Jordan Islamic Bank**

The fact that the Islamic Sharia Consultant should approve various implications of the banks policies, and actions of individual departments having inter/departamental implications, throw further light on the attitudes towards the marketing concept.

The least frequently researched areas are found to be "studying the needs for ATMs and their locations", "service user survey" and "pricing study". This reflects the low interest of these banks in automation and ATMs in spite of the inclusion of the introduction of credit cards as one of the activities of the bank in the Jordan Islamic bank Law. The explanation for this would be that ATMs are not installed in Jordan even by the well established conventional banks, although it has been introduced by some of them especially the foreign ones in recent times.

Islamic banks are found to be less likely to perform analysis in the pricing and offering areas. Therefore, data suggests that a particularly fruitful area for analysis and development in the marketing mix is in the offering activity. Pricing activity would be a potential area of research.

"To maintain and develop the image of Islamic banking" is

found to be the most important factor to be considered in introducing a new service. Recommendations put forward by staff at the branch level is considered by senior executives as the least important factor. This reflects the difference in the opinions of both groups of managers regarding market research.

Islamic banks are found to introduce some services without regard to their profitability such as Qard Hasan (free interest loans) and services once introduced are rarely deleted. This reflects the social responsibility and value orientation of the Islamic banks.

It is found that the pricing policies of the Islamic banks differ from those of other conventional banks. Pricing in accordance with Islamic Sharia is found to be the most important pricing policy, followed by "full cost plus profit margin".

Pricing objectives are found to be "to improve the share of the bank market" which is considered the most important objective followed by "to increase return on investment". The importance of these two pricing objectives as viewed by the Islamic bank managers in Jordan might indicate that Islamic banks in Jordan are highly interested in their customers. This indicates that the Islamic banks like to obtain more customers to utilize their services, and to spread their services to different customers. Hence, their pricing objectives become both more competitive and more distinctive than those of their rivals. To increase return on investment as the second most

important pricing objective indicates interest in the customers who are after all, the suppliers of their funds (i.e. owners of the bank, and depositors). Thus Islamic banks are found to be initiators rather than imitators in their pricing policies.

Islamic banks' strategies regarding the availability of Islamic bank services are found to concentrate on "increasing the number of branches, number of staff and number of cashiers in order to reduce queuing. Queuing is found to be considered as a problem, managers believe that it could be reduced by introducing labour rather than through automation. The idea of opening on Friday is rejected by both groups of managers. The explanation for this would be that no one bank opens on Fridays, even rarely one finds a shop open on Fridays due to cultural and religious values. "An interest in long term business: and "Islamic obligations" are found to be the most important factors to be considered in opening a branch.

Data suggests that Islamic Banks branch managers see themselves as the persons with the most potential to promote the bank services. They spend most of their time on managing the staff and controlling investment. A good branch manager is seen in the view of the branch managers themselves, to be "able to sell" and "able to deal with customers". However, being a graduate of business administration is regarded as being a less important characteristic. Their recommendations to top management is regarded and perceived as important by them in the areas of training staff, conducting marketing research and

the promotion of staff. Their recommendation regarding both the opening of new branches and the installation of ATMs are considered of less importance.

Training programmes are found to be conducted both within and outwith the bank for all groups of managers and staff and students. These programmes included training on banking activities and management for managers. Training ground selling skills are not considered. This suggests a more active role to be played by the senior executives to facilitate their coordination and cooperation with branch managers. Periodic meetings could be beneficial to help generate new ideas. Training programmes to be expanded to introduce marketing and selling skills training.

The promotional area is another area of importance. Building a positive bank image, and "informing customers about new services" are found to be the most important advertising objectives of Islamic banks. They use brochures, leaflets and branch posters more frequently than other promotional media. This can be noticed on entering any branch of these banks, one can see many posters containing "Quranic Verses" which reflect the image of Islamic banking as an interest free bank. The rarely used promotional media are found to be TV, radio advertising, sports and other events sponsoring, give away gifts and direct mail. Data therefore, suggests that Islamic banks suffer from the poor internal coordination of advertising with other aspects of the marketing mix. No clear policy regarding

advertising budget is found. The lack of interest in the use of TV and radio advertising would indicate that Islamic banks in Jordan tend to wait for the customers to come to them rather than aggressively seeking them out through advertising, sport sponsoring, give away gifts, direct mail and other promotional mix activities.

12.2 Findings and Conclusions Pertaining to the Islamic Banks Customers' Survey

The purpose of this part of the study is to ascertain the basic personal characteristics of Islamic banks customers, the selection factors perceived important by customers who choose to use Islamic bank services, the services used by the Islamic bank customers, and their opinions regarding the promotional media used, and finally the importance of the Islamic banks role in informing the customers about the Islamic banking concepts.

Segmenting the customers according to their personal characteristics would be an important aspect in formulating a firms' marketing strategies. Islamic bank customers in Jordan were found to be mainly males, possibly because of the Jordan Arab/Moslem cultural insistence upon the males responsibility for the family needs. Thus all the savings, financial needs and services required by the family have to be made available by the male, whether he is a husband, a father, or a brother. Hence, he opens the accounts, saves with the bank, and does all the banking transactions in his name. Therefore, women dealing with the Islamic banks were found to be very few, because

women's financial responsibility towards the family is very limited. This is supported by the findings that differences are found between the annual income of the customers and their sex.

Women's segment of the market is the less tapped market, and could be a potential market for the Islamic banks especially single young females. Some Islamic banks established branches for the women like Kuwait Finance House, and Dubai Islamic Bank in United Arab Emirates. Islamic banks in Jordan may study the feasibility of establishing such branches.

A positive significant correlation is found between the age group of the customers and their annual income, while an inverse significant correlation is found between the age group and the educational level. The possible explanation for these relationship findings is that as these customers grow older, their annual income and savings will increase, while their willingness to increase their educational levels will decrease because of more responsibilities they will have towards their families. No significant correlation is found between the annual income of the customers and their educational level. This suggests that the educational level is not an indicator of the annual income of the customers.

Islamic banks have been newly established in Jordan in order to serve two segments of the market: (1) those who were not having the banking habit before for cultural and religious reasons. They were perceiving conventional banks as selling something prohibited in Islam i.e. selling usurious services. (2) The second segment consists of those who were dealing with

other banks because the other alternative did not exist.

Data suggests that Islamic banks in Jordan have successfully invaded the non-banking segment of the market, and gained part of the banking one. More than one third of the sampled customers are found to be introduced to the banking industry for the first time, a significant portion of seven branch customers located in lower class areas were new bank customers. The explanation for this would be that customers in the districts of lower classes are more restricted for a religious point of view than those in the upper class areas. Data suggests that about two thirds of the Islamic bank customers had acquired their banking habits before dealing with the Islamic banks.

Customers of the branches located in more developed trading areas are found to be dealing with banks before becoming Islamic bank customers, more than customers of branches located in less developed trading areas. The explanation of this might be that better developed trading areas need banking facilities more than the less developed ones. This is evident from the findings that significant differences are found between the two segments of the customers according to the branch they deal with. In spite of these differences it is found that the image of the Islamic banks as a banking system stresses the delivery of nonusurious services, attracts both segments of the customers.

Results suggest that a significant portion of the Islamic bank customers who were dealing with banks before still deal with

other banks. The explanation for this would be that these customers might not be inspired by the Islamic banks to stop dealing with other banks and/or they might be using other services that the Islamic bank does not offer. On the other hand, more than one third of this group quitted dealing with other banks. The possible explanation for this finding is that these customers were dealing with other banks, when there is no alternative. Once the Islamic banks presented an alternative to conventional banks, those who were waiting for them to begin offering their services, and were dealing with other banks found it easy to make the change.

A more interesting finding is that about one sixth of the customers of Islamic banks who were not dealing with banks before being Islamic bank customers started to deal with other conventional banks besides the Islamic banks. This might indicate that the Islamic banks played a vital role in spreading the banking habit in general in Jordan. But there is a danger that this group might shift completely to other conventional banks if the Islamic banks do not play a vital role in educating the customers and informing them about the benefits of using their services.

One general conclusion is suggested by the data findings, which is significant differences are found between the Islamic banks customers' banking habits before and after being Islamic bank customers. This might be due to religious as well as social values and beliefs i.e. once the Islamic banks are in operation, it

becomes easy for some nonbanking segments to become banking, and for some of the banking ones to change to Islamic banks. One can conclude that personal characteristics of the customers are not differentiating variables between the previously banking and the nonbanking customers.

The majority of the Islamic banks customers first learned about the Islamic banks in recent years (i.e. within a period of less than three years). This reflects the poor promotional strategy used by these banks and their lack of interest in TV and radio advertising and other promotional mix. Moreover, customers recognised the importance of the role of the Islamic banks in informing them about Islamic banking concept. Thus this finding leads us to conclude that these banks would be well advised to play a more active role in informing their customers about their activities in order to augment their market share, and increase cross selling, and educate potential customers about these banks in order to market their services more effectively and more efficiently.

It is found that elderly people are more interested in a religious based institution like Islamic banks. While no significant correlation is found between the educational level of customers and their time of learning about the Islamic banks. The possible explanation for this would be that the banking activities may be correlated with trade, industry and other sectors of the economy, thus, those who work in these sectors, especially trade and industry might be of different levels of education. A shop owner might not hold a degree, but his

profession needs several banking services which a highly educated person might not need.

Customers of Islamic banks are found to be using services of Islamic banks as well as some services of other banks. A customer of the Islamic bank is found to be using in the average less than one service of conventional banks (0.75) and about 1.3 service of the Islamic bank services. The number of users of the banking services whether from conventional banks or from Islamic banks differ from one service to another.

Conventional banks' services used are mainly the current account. More than one third of the sampled customers were found to be using the conventional banks current account services, and the majority of them were previously banks' customers. They did not stop dealing with these banks. The possible explanation for that would be that the current account is the account which introduces the customer to the bank, thus these customers would have built good relationships with these banks, and there is no reason to stop dealing with these banks especially if we know that the current account does not carry interest, and therefore, does not raise any conflict with the Islamic Law.

Other conventional banks' services used are found to be the bills discounted, loans and overdrafts. The majority of the users of these services were users of the current account. It is also found that users of each of these credit facilities (i.e. fixed interest loan services) have a tendency to use the other one.

This is mainly because these are lending services used for financing purposes. Bills discounted are used to finance selling on instalments. The operations of the firm are financed partly by loans, while the overdraft service is used by many businessmen as a security means of financing, once they need cash, they can withdraw from their allocations for overdraft. Because they pay interest only on the amount used, while a small commission is paid on the unused amount of the overdraft balance. This result is confirmed by the findings that a positive significant correlation is found between the use of each of the credit facilities services and the other ones.

Users of the credit facilities services were found to be not impressed by the Islamic banks to the extent that once they become customers of the Islamic banks they will stop dealing with the other banks. This is evident from the finding that there is no significant correlation between the use of any of these services and the question of the importance of choosing the Islamic banks because of being "Islamic". The findings suggest that those customers need to stop dealing with other banks but are not aware of the alternative services offered by the Islamic banks. This is reflected in the findings that an inverse significant correlation between the use of each of these services and the question of being previously banking or not. Therefore, Islamic banks should inform these kinds of customers about their services which could substitute the credit facilities offered by the conventional banks such as Murabaha, Musharaka, and Mudaraba. Promotional efforts

stressing the use of these alternative financing facilities would help retain these customers and sell them more services. Since it is found that a small percentage of customers use these Islamic banks financing services. Murabaha is found to be used by more customers than Musharaka or Mudaraba. The explanation for that would be that it may be considered as a substitute for individual loans; while the other services are used by the corporations and projects and this study is limited to the individual customers.

The majority of the users of the Islamic banks' services were mainly current account holders. An inverse correlation is found between the use of the current account and the use of the investment account. The possible explanation for this would be the differences in the motives of the users of each of these two services. The motive of the users of the current account is mainly for safeguarding of their money and for facilitating transactions, while the motive of the investment account users is for investment purposes.

The different motives of the users of different Islamic banks' services is reflected in the inverse correlation found between the use of the current account and the use of Murabaha. Murabaha users are actually in need of money, therefore they borrow from the Islamic banks on instalments in the form of the Islamic way of lending (Murabaha), while those who have good credit balance in their current accounts do not need to use the Murabaha and vice versa.

The majority of the current account service provided by the Islamic banks first learned about these banks in a period of less than three years. Some of them still deals with other banks. The possible explanation for this finding might be due to their recent knowledge about these banks and the old relationship they had built with the other banks especially those who were previously banking before in addition to the lack of interest of the Islamic banks in advertising.

A strong inverse significant correlation is found between the use of the current account and the use of the investment account. This may be due to the different motives of the users of each of these services. This result might indicate a potential shift in the coming future from the use of the current account to the use of the investment account and vice versa depending upon the marketing strategy followed by these banks in the future.

One can conclude that some users of the Islamic bank services use other services from other banks whether those customers were banking before or not. This may imply that Islamic bank customers are still in the testing stage of the Islamic bank services. This suggests that unless the Islamic banks apply an aggressive information marketing strategy aiming at shifting the customers from the testing stage of using their services to the commercialization stage, the use of their services will be at a minimal.

In trying to explore the importance of the factors considered by the Islamic banks customers to choose to bank with their

Islamic Banks it is found that "being an Islamic bank" ranked first in importance among the possible choice criteria. This reflects the way the customers perceive these banks along performance and social/religious image dimensions. This may also reflect that the customers choose to bank with these banks mainly because of the inclusion of the word "Islamic" in their title as for the Jordan Islamic Bank. On the other hand, and contrasting to what is found by many researchers "convenient location" ranked the thirteenth among the eighteen choice criteria.

Using the factor analysis technique, seven factors were extracted. These were "customers convenience and interest" which is considered the first important extracted factor, then the "socially orientated" factor, "convenient location", "Islamic banking", "banks' service attributes", "loyalty to customers" and "less queueing".

Branch managers' opinions regarding their customers' choice criteria of their banks were also explored and factor analysed. The results show that five factors were extracted. Branch managers were in agreement with their customers on the importance of three factors, namely "customer convenience", "convenient location" and "Islamic banking". While differences were found in the opinions of both customers and branch managers regarding the importance of other factors. Profitability and the financial strength of the bank were believed by branch managers as important factors considered by

their customers, while customers consider the social responsibility, the loyalty to customers, and the bank service attributes as important factors. These results imply that these banks should change their marketing strategies to concentrate more on the social orientation, and customer orientation of their banks, and redesign the packages of their services to be more attractive and useful.

Findings suggest that the customers consider the role of the Islamic banks as important in informing them about the Islamic banking concepts, but the use of those services related to these Islamic banking concepts such as Mudaraba, Musharaka, Murabaha is very limited by the individual customers. These promotional activities have to be increased. "Recommendations from friends, relatives and neighbours" is found to be the most important promotional media, followed by "in branch posters and leaflets". On the other hand, "Give away gifts", "bank sponsoring sports and other events", "direct mail" were found to be not important promotional media. Customers were relatively uncertain about the importance of TV. and radio advertising. These results reflect the lack of interest of Islamic banks in these promotional media. This might have affected the attitudes of the Islamic banks customers to use services offered by other conventional banks. These findings have implications for the Islamic banks marketing strategies. These implications are discussed here below:

12.3 Implications for Islamic banks' Marketing Strategies

The overall findings of the study indicate some important implications for the Islamic banks marketing strategies in Jordan. The marketing strategies for a firm require the understanding of the cultural, social, technological, economical and philosophical realities and the periodic monitoring of any changes in these realities within which the firm operates. Islamic banks in Jordan operate in an environment in which the other well established conventional banks operate, and the Arabic/Islamic culture dominate while influenced by the Western civilization. This implies that the Islamic banks have to cope with this environment in which their main competitors are the other conventional type of banks, but the Islamic banks have advantages over the conventional banks .Because due to cultural/social and religious factors a special segment of the customers prefer to deal with these bank. Therefore, Islamic banks marketing strategies should apply a differentiation marketing strategy, i.e. introduce differentiated offerings of services, price these services differently and competitively, find new ways of distribution in a distinguished way, and use some different promotional media in addition to those useful techniques applied by the Western banks.

It is essential that any marketing strategy should be derived from the overall objectives of the Islamic banks. Thus clear

statements of the objectives of the Islamic banks by the top management is recommended. In this context, it is advisable that "to direct customers to certain types of services" be regarded as one of the important marketing goals of these banks in order to increase cross selling of Islamic bank services.

A periodic review of the Islamic banks operations is suggested, and a change in the marketing strategy according to changing conditions is recommended. This alongside the continuous monitoring of the new marketing strategies and their amendments accordingly. In this regard the adoption of the marketing strategy requires strong commitment from the top management. Islamic bank managers at the top level should be committed to the marketing strategies of the bank, increase the communication between branch managers and senior executives and between branch managers and their staff, periodic meetings have to be conducted. This would help in educating and motivating the staff to talk marketing, to be customer orientated, to teach the staff that they sell bank services, they do not do a favour to the customer. Thus internal marketing is required through the strong channels of communications in order to train the staff to be salesmen. It is the duty of the top management to help their employees learn how to produce a high quality of a service, and introduce it to the customer in an efficient way rather than expect the customer to come and request the service, since the findings of this study suggest that the Islamic banks sell their services in a conservative way.

This implies that the adoption of a new strategy is essential, a

strategy of going out and looking for business rather than waiting for the business to come to them.

Market research should be stressed and adopted more frequently. As Shapiro (1985) argues that the essence of almost any marketing strategy can be described by presenting the target market segments and the elements of the marketing mix, and Meidan (1983b) argues that the identification of the possible market target can be obtained by research. The target market is the customer, and satisfying her/his needs and wants should be the prime goal of the bank.

A better understanding of the market research by the Islamic bank managers is required in order to be able to build scientific marketing strategies. This could be achieved through training, academic courses at universities, workshops, seminars, etc. This implies that market research is the technique through which the target market could be determined, and the elements of the marketing mix could be developed. The target market for the Islamic banks is the Jordanian customer. It is found that the individual customer is mainly young, married, male. The less tapped market is found to be the female target market. Thus, the implication of these findings to the marketing strategies is that Islamic banks would do well to hit the young target market, invade schools and universities in their promotional mix to capture this segment of the market, while they are young. Once they grow up their annual income grows up, and their financial needs will increase. Thus an aggressive

promotional strategy directed to schools and universities would be advisable. The female segment of the market could be a potential target market. Thus, a promotional campaign directed to the women segment could help in this regard. This campaign may include house gifts e.g. cockeries, and periodic direct mail explaining how these banks could help solve the financial household problems. Moreover, the possibility of opening women branches could be studied and adopted if proved to be feasible. In this case the experience of the Kuwait Finance House in Kuwait could be utilized. Employees could be trained there in order to acquire the experience of selling the bank services to the women in the women branch.

As for the marketing mix, Islamic banks marketing mix should be five Ps rather than the well known four Ps, the fifth one to be the personality of the bank i.e., the bank image of selling bank services refined from Riba (interest). Thus Islamic bank marketing mix consists of the following five Ps: Product, Price, Place, Promotion, and Personality. The activities of all these elements of the marketing mix have to be performed under the jurisdiction of a marketing department.

As for the Islamic banks' products, the findings of the study suggest that Islamic banks' customers have specific banking needs for current account, savings and investment, credit facilities, letters of credit and letters of guarantee. In addition to the 3Ms of Islamic bank services of financing (Murabaha, Mudaraba and Musharaka,) the present customers satisfy their banking needs by the use of services offered by both the

conventional banks and the Islamic banks. This might be due to the lack of information about the benefits of the Islamic bank services, and/or the fact that some Islamic bank services can substitute other conventional bank services. Thus, the implications of these results for the Islamic bank strategies is that these banks should design packages of services, display the benefits of these services, spread information about the use of each service, and how it can stand as an alternative to other bank services. A quick service personal officer could be appointed to solve customers' complaints. Special attention should be given to current account holders through good personal relationship. A marketing and demarketing strategy could be adopted to encourage these customers to convert their accounts into investment accounts when there is good opportunity for investment, and dissuade them to do so when circumstances change.

Considering that the financial services of the future in Jordan will be computer based and computer distributed, automation has to be considered in designing new services. The introduction of ATMs, credit cards, etc. should be given priority after being studied well. As the marketing manager of the Royal Bank of Scotland put it, "credit cards service is one of the most profitable bank services". Therefore, it is advisable that Islamic banks study the feasibility of introducing these services as soon as possible for two reasons; first to be able to meet competition, second, to win more customers and maintain the present ones, especially if we know that some of the

conventional banks have recently introduced such a service. Islamic banks were innovative in introducing the Islamic banking services, but this should not be the final stage. They have to be pioneering in designing cultural, social, religious based services. The rapid change in technology, and the invasion of automation into the banking industry necessitates that Islamic banks should cope with change.

Islamic banks have to be prepared for any changes in the Jordanian conventional banks' strategies to be able to compete with them in a proper way. Findings of this study indicate that once the Islamic banks become a threat to the conventional banks, conventional banks began to introduce some of the Islamic bank services. Therefore, the Islamic banks would do well if they repackage and redesign their services in a way to make their offerings look different even if they are not different. Moreover, stressing the suggested new element of the Islamic banks marketing mix i.e. the personality of the bank which reflects the image of Islamic banking would help in this regard. However, the benefits of any service to the potential customer have to be known by the staff in order to help them convey these advantages to the potential as well as present customers effectively and quickly. This helps the staff to increase the use of the services and to direct the customers to other services. The result is that cross selling of Islamic bank services will be increased and the Islamic banks will augment their market share.

In this regard, internal marketing has to be stressed. Training the staff on the banking activities to be able to produce a high quality of bank services is suggested. These training programmes should be directed to include training the staff on the personal selling for findings indicate that top management has been ignoring the need for training on personal selling. The need for personal selling training is recognised by Wilson (1984: 188). He argues that the customer's contact requires a degree of selling ability on the part of the staff, selling is a learned skill, and hence should be taught.

The method of profit and loss sharing (PLS) pricing is still ambiguous by many potential customers, and many believe that it is not different from the interest method. Thus, the Islamic banking concepts such as Murabaha, Musharaka and Mudaraba have to be explained well in a simple manner, especially the pricing of these services. Islamic banks would be well advised to play a more active role in informing their customers about these concepts and the detailed procedures of pricing the services related to these concepts. This would help augment the market share, cross selling and educating potential customers about the banking services. Thus these services would look different. The pricing strategy of the Islamic banks should not only be different, but also it should be competitive, because the entrepreneur evaluates the financing method offered by the Islamic banks versus that provided by the conventional banks according to the price, then he decides to deal with either bank accordingly.

As for the place of providing the service, in branches is the main place. ATMs and credit cards could help increase the availability of the Islamic bank services. Moreover it would be advisable to study the feasibility of opening women branches and mini-branches in or near universities, schools, etc.

The promotional mix of Islamic banks should benefit from the Western one and tailor it to fit the local market. Some of the promotional media is used by the Islamic banks such as in branch posters, leaflets, brochures, while T.V. and radio advertising is found to be rarely used along with other promotional media such as the sponsoring of sports and other events, giving away gifts, and direct mail. These promotional media are found to be used in the bank marketing promotional strategies. Islamic banks would do well if they revise their promotional strategies and introduce the T.V. and radio advertising to convey the personality of the Islamic bank. The image of Islamic banking could also be conveyed to the target market through these promotional mix of personal selling, give away gifts, bank sponsoring and direct mail. These promotional mixes will help the banks to maintain their customers because these reflect interest in the customer. Moreover, the idea of stressing the importance of the use of these promotional mix activities is due to the finding that the majority of the customers are found to learn about the Islamic bank first in recent years, and the means through which they learned are predominantly through recommendations from friends, relatives and neighbours..

Finally, whether in introducing a service, or pricing it, or distributing it through branches and / or any means of automation, or in the promotional strategy of the Islamic banks, the personality of these banks have to be stressed; the personality of a bank selling non usurious services. Thus a service has to be in conformity with the Islamic bank image, priced according to the Islamic sharia, distributed through modern, easy, quick channels of distribution and promoted effectively to inform, remind, and persuade potential target markets to buy it.

12.4 Research Contributions:

This study is thought to make some contributions to the literature of services marketing and to offer some useful information and guidelines to the managers of Islamic banks in general and Islamic banks in Jordan in particular.

This study has dealt with a neglected area ,i.e Islamic Bank marketing .Itis considered a new research of the diffusion of marketing in the area of Islamic banks to gain an understanding of the relevance and contribution of marketing to these banks . Unlike many literature about bank marketing , this study has discussed the application of all the marketing mix elements and their applicability to Islamic banking. This research contributed to the marketing mix by suggesting a new element ,which is the personality of the bank, this makes the marketing mix to be five Ps rather than four Ps .

This research offers some insights for both marketing scholars and managers in the Islamic banks of the succesful application of these five elements of the marketing mix in practical terms ,by providing empirical data which can help the marketers of Islamic Banks in Jordan to formulate and

implement marketing strategies to maintain their customers' satisfaction, increase their market share ,and compete with other banks effectively.

The most important contribution of the study would be in determining and suggesting ways by which Islamic banks in Jordan can benefit from applying the marketing concepts and techniques in their business to acheive both customers and banks objectives . The empirical data and its analysis about the banking habits of their customers, the factors they consider important to choose to bank with these banks, the services they use which this study provides are expected to be of great help to the Islamic banks in Jordan.

The study provides these banks with implications for their marketing strategies which are expected to improve their understanding and implementation of the marketing concept .

Finally, the research methodology and instruments used will help researchers to conduct studies in the field of financial services marketing in the Arab-Muslem countries.

12.5 Implications for future research

Since this is the first systematic study about bank marketing in Jordan in general and about the marketing of the Islamic bank services in particular, there is still too much to research in the field of marketing in Jordan as well as other Arab, Moslem and developing countries. Following is a suggested list of recommendations for studies needed to be researched in the future.

1. Jordan, like most of the other developing countries,has a long way to go to make effective use of marketing research.

since most businessmen in Jordan are preoccupied with production and government relation rather than with consumers. Therefore the role of modern marketing in economic development in Jordan, is a potential area of research .

2. The transfer of the modern marketing concepts and technology to the developing countries is difficult. A direct and rigid transfer of modern marketing concepts and practices to developing nations including Jordan is inappropriate . This is because of the fact that these concepts and techniques are constrained by environmental and cultural factors. Thus, a fruitful area of research would be the effect of the environment and culture on the transfer of the marketing concepts and technology to Jordan as well as to other developing countries.

3. The understanding and the application of the marketing concept as related to any of the sectors of the economy in Jordan has not yet been researched. Thus, an urgent need is required to study the extent to which the marketing concept has been accepted and applied in the industrial sector for example, as well as trade sector, tourism sector, etc.

4. Banking is peculiarly sensitive to general and economic developments. Banks have to analyse their offerings in the light of knowledge and judgement of the market place. Thus, a rewarding area of research for Islamic Banks as well as for Conventional Banks would be how to influence the behaviour of the customers groups with the creative adaptation of the resources of the business to its changing environment.

5. The shortage of professional marketing staff leads to poor performance in the marketing area. The possibility of

establishing a marketing training center in Jordan to serve both the service sector as well as the industrial sector is another area of potential research

6. The increased competition from the conventional banks makes it necessary for any Islamic bank in Jordan to determine its target customer, its strength and weaknesses to find its niche and exploit it. Since banks cannot treat their retail market as a homogeneous mass, therefore, using segmentation when appealing to new customers or promoting new services to present customers and developing unique strategies to attract the different segments is another potential area of research.

7. Since this study is limited to the individual customers of the Islamic Banks, another study regarding corporate customers is needed.

8. Islamic banks offer several new banking services which are not offered by the other banks. The customers' satisfaction of these differentiated offerings is another area of potential research.

9. Problems in marketing are related to choosing the right product, and the appropriate level of price and promotion, and selecting and maintaining the right distribution channels. Each of these marketing mix elements represent a rewarding area of study for Islamic banks. Their differentiated offerings can be studied in comparison with other conventional banks services.

Moreover, the applicability of the PLS pricing policy is another potential, and rewarding area of research.

10. The marketing of the conventional bank services in Jordan

is of great importance to be studied to help further increase the understanding of the marketing management in Jordan.

11 A comparison of the application of the marketing concept in the Islamic banks as compared to the conventional banks is of great importance.

12. There is clearly more research required regarding the marketing of the other financial institutions in Jordan such as the Specialised Credit Institutions, Insurance companies, and other financial institutions .

13. A research considering the application of the marketing concept in other Islamic banks and financial institutions in other Arab/Muslem countries is needed. This research will enhance the body of knowledge about islamic bank marketing in particular and marketing management in general.

14. The role of the Islamic banks in development is another potential area of research.

15. The evaluation of the performance of the Islamic banks, and the Islamic financial institutions from time to time is another area of potential research.

16. The relationship between the Islamic banks and the Central bank as compared to that of the conventional banks is another area which deserve studying.

17. The replication of this study in other Islamic banks in other countries such as the Dhubai Islamic Bank, the Kuwait Finance House, the Qatar Islamic Bank as well as other Islamic Banks in other countries of the world will develop an understanding of the Islamic bank marketing management.

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Appendix 1

Senior Executives Questionnaire

Senior Executive Questionnaire

This questionnaire consists of general questions concerning some of the marketing aspects of your bank. Filling this questionnaire will be highly appreciated. This information will be used for research analysis in general for the purpose of obtaining a Ph.D degree from Glasgow University.

Thank you

Hisham Jabr

Part I:

1- Which of the following terms best describes your bank?

- a- An commercial bank of an Islamic type
- b- A development bank of an Islamic type
- c- A commercial and developmental bank of Islamic nature
- d- A socially orientated, Islamic bank
- e- Other (specify)

2- In what way does your bank differ from other conventional banks?

(Please tick when appropriate).

- a- In the types of deposits
- b- In the kinds of investments
- c- In the services rendered
- d- In the sources of financing
- e- In the ways of charging for services
- f- In not receiving or paying interest
- g- Other (specify) _____

3- Followings are some possible corporate (banking) goals. Please indicate how important is each of them to your bank. (5 very important, 4 important, 3 uncertain, 2 not important, 1 not important at all).

- | | 5 | 4 | 3 | 2 | 1 |
|------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| a- To increase market share | <input type="checkbox"/> |
| b- To maximise profitability | <input type="checkbox"/> |
| c- To develop bank image | <input type="checkbox"/> |
| d- To minimise risk | <input type="checkbox"/> |
| e- To find new markets | <input type="checkbox"/> |
| f- To increase (RIO) | <input type="checkbox"/> |

- g- To increase range of services
- h- To satisfy customers needs
- i- To increase certain types of investment
- g- To increase certain types of deposits
- k- To meet competition
- l- To direct customer to certain types of services

4- How are the following marketing activities performed in your bank?

Activity Performed through:

- | | Committee | depart-
mental
meeting | head
office | marketing
department
at the branch
level | other
specify |
|-----------------------------------|--------------------------|------------------------------|--------------------------|---|--------------------------|
| a- Introducing new service | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| b- Cancelling a type of a service | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| c- Pricing services | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| d- Establishing branches | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| e- Advertising and promotion | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

5- a) The title of the person responsible for marketing activities at your bank is:

- a- administrative manager b- Public Relations Manager

c- No formal title e- other (specify)

b) Where did the person responsible for the marketing function come from?. 1- within the bank 2- outside the bank

c) What is his :

Qualifications:

Training:

d) To whom does he report?

e) To what extent does he participate in strategic planning and goal setting? (To a great extent 5, Not at all 1).

5 4 3 2 1

6- In your opinion, how important is the establishing of a marketing department at your bank? (5 -1)

5 4 3 2 1

7) a) Does your bank conduct market research?

Yes No I don't know

b) If yes, by whom it is conducted?

- Bank staff - Outsiders

- Bank staff and outsiders

8- Indicate how often do you carry out market research in the following areas ?. (5 very often, 4 often, 3uncertain, 2 rarely, 1 never)

5 4 3 2 1

- a- Identify needs for a specific service
- b- Appraisal of customer satisfaction
- c- Developing new service
- d- Service user survey
- e- Market share study
- f- Evaluation of competitors activities
- g- Pricing study
- h- Need for branches and branch location
- i- Set standards for branches
- j- Analysis of customer profitability
- k- To insure compliance of banks activities
with Islamic Shari'a (Law).
- l- To determine advertising and
promotional expenditures.
- m- To identify the need for ATMs
and their locations
- n- Other specify

9- How important are the following factors when deciding to introduce a new service? (5-1)

- | | 5 | 4 | 3 | 2 | 1 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| a- To meet competition | <input type="checkbox"/> |
| b- Recommendations from staff at branch level | <input type="checkbox"/> |
| c- Market research proved the need for it | <input type="checkbox"/> |
| d- To meet customers' needs | <input type="checkbox"/> |
| e- To maintain and develop the image of
Islamic banking | <input type="checkbox"/> |

- f- Being in conformity with existing services rendered
- g- To attract new customers
- h- To increase customers' use of various services.
- i- Other specify _____

10- Who decides regarding the deletion of bank services? (specify title please.) _____

11- How important are the following objectives for pricing your banks' services?(5-1)

- | | 5 | 4 | 3 | 2 | 1 |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| a- Profit maximisation | <input type="checkbox"/> |
| b- To increase ROI | <input type="checkbox"/> |
| c- To improve bank market share | <input type="checkbox"/> |
| d- To break even as quickly as possible | <input type="checkbox"/> |
| e- To meet competition | <input type="checkbox"/> |
| f- To offer a high quality service | <input type="checkbox"/> |

12- How important is each of the following pricing policies to your bank.? (5 -1)

- | | 5 | 4 | 3 | 2 | 1 |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| a- full cost plus profit margin | <input type="checkbox"/> |
| b- follow competitors' (Islamic banks) price | <input type="checkbox"/> |
| c- follow competitors' (conventional banks) price | <input type="checkbox"/> |
| d- pricing according to government regulations | <input type="checkbox"/> |

- e- pricing according to the Islamic Shari'a
- f- other (specify) _____

13- How important are following factors when deciding to open a branch or install an ATM? (5-1)

- | | 5 | 4 | 3 | 2 | 1 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| a- Careful market assessment | <input type="checkbox"/> |
| b- Patterns of customers | <input type="checkbox"/> |
| c- Islamic obligations | <input type="checkbox"/> |
| d- Meeting competition | <input type="checkbox"/> |
| e- Satisfy customers needs | <input type="checkbox"/> |
| f- Increase profitability | <input type="checkbox"/> |
| g- Attractiveness of the location | <input type="checkbox"/> |
| h- Increase ROI | <input type="checkbox"/> |
| i- Interest in long term business | <input type="checkbox"/> |
| j- Central Bank regulations and approval | <input type="checkbox"/> |
| k- Increase market share | <input type="checkbox"/> |
| l- other (specify) _____ | <input type="checkbox"/> |

14- How important is each of the following factors in increasing the availability of the bank services to your customers? (5-1)

- | | 5 | 4 | 3 | 2 | 1 |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| a- Increasing the number of branches | <input type="checkbox"/> |
| b- The extension of opening hours | <input type="checkbox"/> |
| c- Opening on Friday mornings | <input type="checkbox"/> |
| d- Installation and increasing the number of ATMs | <input type="checkbox"/> |
| e- Increasing the number of staff | <input type="checkbox"/> |

- f- Increasing number of cashiers to reduce queuing
- g- The introduction of credit cards
- h- other (specify) _____

15- In your opinion, how important is each of the following tasks to branch managers? (5-1)

- | | 5 | 4 | 3 | 2 | 1 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| a- Opening new accounts | <input type="checkbox"/> |
| b- Wining customers from other banks | <input type="checkbox"/> |
| c- Selling particular service to particular customers | <input type="checkbox"/> |
| d- Proper management of the staff | <input type="checkbox"/> |
| e- Knowing the customers' financial position | <input type="checkbox"/> |
| f- Gathering and reporting market information to head office | <input type="checkbox"/> |
| g- Investment control | <input type="checkbox"/> |
| h- Managing the staff | <input type="checkbox"/> |
| i- other (specify) _____ | <input type="checkbox"/> |

16- In your opinion, how important is each of the foillowing advertising objectives to your bank? (5-1)

- | | 5 | 4 | 3 | 2 | 1 |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| a- To inform customers about existing bank services | <input type="checkbox"/> |
| b- To inform customers about new services | <input type="checkbox"/> |
| c- To increase customers' usage of bank services | <input type="checkbox"/> |
| d- To counter competitive messages and expenditures | <input type="checkbox"/> |
| e- To maintain and increase customer's loyalty | <input type="checkbox"/> |
| f- To attract new customers | <input type="checkbox"/> |

- g- To build positive bank image
- h- To build familiarity with bank's service packages
- i- Other (specify) _____

17- How often does your bank use the following advertising and promotional media? (Very often 5 - Rarely 1)

- | | 5 | 4 | 3 | 2 | 1 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| a- TV and Radio Advertising | <input type="checkbox"/> |
| b- Magazines, newspapers | <input type="checkbox"/> |
| c- In branch posters | <input type="checkbox"/> |
| d- Brochures and leaflets | <input type="checkbox"/> |
| e- Direct mail | <input type="checkbox"/> |
| f- Give away gifts | <input type="checkbox"/> |
| g- Public relations | <input type="checkbox"/> |
| h- Personal selling | <input type="checkbox"/> |
| i- Sports and other events
sponsoring | <input type="checkbox"/> |
| J- other (specify) _____ | <input type="checkbox"/> |

18- How does your bank determine the amount to be spent on advertising? (Please tick when appropriate)

- a- We spend only what we can afford
- b- We spend as much as our competitors
- c- We spend in accordance with the marketing objectives of the bank
- d- As a percentage of deposits (%)

e- As a percentage of profits (%)

f- Other (specify)_____

19- Does your bank have a marketing training policy?

Yes No

b- Who benefits from these training programmes?

- Senior managers - Head office staff

- Branch managers - Branch staff

- Students - Other (specify)

c- What kind of training programmes did you conduct? Please specify_____

d- Where is the market training conducted?

- inside the bank - outside the bank

- inside and outside the bank

Part II:

For each of the following statements, please circle the appropriate number that best describes your opinion about the statement (Strongly agree 5 - Strongly disagree 1).

5 4 3 2 1

1- Marketing is more relevant to firms selling goods rather than to firms selling services

2- marketing became more important to banks due to increased competition from other financial institutions

3- Marketing is another name for selling

4- The aim of the bank is to sell the services it can offer rather than offering what customers want.

5- Marketing has little influence on the day to day activities of the bank

6- Customers needs should be the most influential factor in making most of the bank policies and decisions

7- Market research is essential for gathering information about the customers

8- Seeking out the banking needs and wants of the market should be a continuous process

9- The cooperation and coordination of all banks departments is very important to achieve both customers' and banks' objectives

10- The entire business of the bank should be organised and operated to satisfy the customer at a profit

11- A feeling of the market is more important than any amount of market reearch

12- Competition between banks makes for better services

13- Bank marketing strategy should be to offer more of the new services to existing customers

14- One of the main uses of market research is to identify customer needs and to pinpoint their buying habits

15- A marketing department, if established, should be positioned at the same organisational structure level as other main investment, finance, branch departments, etc.

16- The main business of Islamic bank is to increase sales volume, profit will follow naturally.

17- Market research is used to identify profitable market potential.

18- Marketing decisions have great influence on other major departmental decisions.

19- Social responsibility should be part of the training of the Islamic bank's personnel.

20- Marketing means advertising and public relations.

21- A special function of the Islamic bank is directed towards social responsibility.

22- Marketing is not only much broader than selling, it is not a specialised activity at all, it encompasses the whole business. It is the whole business seen from the customer's point of view.

23- The marketing concept can be defined as "customer satisfaction at a profitable volume in an integrated efficient frame work, and in a socially responsible manner.

24- Islamic banks decisions, including marketing decisions, must be customer orientated.

25- Islamic bank decisions and activities are closely related to the stability and growth of the sociaety.

Thank you for cooperation

Hisham Jabr.

Ph. D Student

Glasgow University.

Appendix 2

Branch Managers Questionnaire

Islamic Branch Managers Questionnaire

1- Which of the following terms best describes your bank?

- a- A commercial bank of an Islamic type
- b- A development bank of an Islamic type
- c- A commercial and developmental
an bank of Islamic nature
- d- A socially orientated Islamic bank
- e- other (specify) _____

2- In what way does your bank differ from other conventional banks?

(Tick all that are appropriate)

- a- In the types of deposits
- b- In the kinds of investment
- c- In the services rendered
- d- In the sources of financing
- e- In the ways of charging for services
- f- In not receiving or paying interest
- g- other (specify) _____

3- A good branch manager should possess some or all of the following characteristics. Please indicate the degree of importance of each (5 v. Imp., 4 Imp, 3 Uncertain, 2 Not imp, 1 Not imp at all).

- | | 5 | 4 | 3 | 2 | 1 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| a- A degree in business Administration | <input type="checkbox"/> |
| b- An ability to deal with customers effectively | <input type="checkbox"/> |
| c- A selling ability | <input type="checkbox"/> |

- d- A knowledge of the services cost of the bank
- e- An interest in new customers
- f- An ability to sell new services
- g- A knowledge of customers' problems
- h- Knowledge of services offered
by competitors
- i- Knowledge of the general economic and financial
situation in the country
- j- Other (specify) _____

4- Please indicate below the percentage of your time spent on each of the following tasks:

- a- Opening new accounts for the nonbanking
customers before %
- b- Winning customers from other banks %
- c- Selling particular services to particular customers %
- d- Managing the staff %
- e- Knowing the customers' financial position %
- f- Gathering and reporting market information to
head office %
- g- Investment control %
- h- Other (specify) _____ %

5- Followings are some of the factors which might influence customer choice between banks. In your opinion, what is the degree of importance of each factor to your customers? (5-1)

- | | | | | | |
|---------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | 5 | 4 | 3 | 2 | 1 |
| a- Wide range of services | <input type="checkbox"/> |

- | | | | | | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| b- Quick service | <input type="checkbox"/> |
| c- High Return On Investment | <input type="checkbox"/> |
| d- Simple banking procedures | <input type="checkbox"/> |
| e- Convenient location | <input type="checkbox"/> |
| f- Friendly staff | <input type="checkbox"/> |
| g- Bank advertising | <input type="checkbox"/> |
| h- Being an Islamic bank | <input type="checkbox"/> |
| i- Long opening hours | <input type="checkbox"/> |
| j- Less queuing | <input type="checkbox"/> |
| k- Adequate parking | <input type="checkbox"/> |
| l- Financial strength of the bank | <input type="checkbox"/> |
| m- Loyalty to customers | <input type="checkbox"/> |
| n- Low service charges | <input type="checkbox"/> |
| o- Low investment risk | <input type="checkbox"/> |
| p. Bank interior atmosphere | <input type="checkbox"/> |
| q- Bank interest in social affairs | <input type="checkbox"/> |
| r- Recommendations from friends,
relatives, neighbours | <input type="checkbox"/> |
| s- Other (specify) _____ | <input type="checkbox"/> |

6- Indicate how important is each of the following factors in increasing the availability of your bank services? (5-1)

- | | | | | | |
|--------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | 5 | 4 | 3 | 2 | 1 |
| a- Increasing the number of branches | <input type="checkbox"/> |
| b- The extension of opening hours | <input type="checkbox"/> |
| c- Opening on Friday mornings | <input type="checkbox"/> |

- d- Increasing the number of staff
- e- Installation and increasing the number of ATMs
- f- Increasing the number of cashiers to reduce queuing
- g- The introduction of credit cards
- h- Others specify _____

7- In your opinion, how important is your recommendations considered by the top management regarding the following activities? (5-1)

- | | 5 | 4 | 3 | 2 | 1 |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| a- Opening new branches | <input type="checkbox"/> |
| b- Rendering new services | <input type="checkbox"/> |
| c- Cost minimization | <input type="checkbox"/> |
| d- Changing pricing policies | <input type="checkbox"/> |
| e- Conducting market research | <input type="checkbox"/> |
| f- Introducing ATMs | <input type="checkbox"/> |
| g- Advertising and promotional activities | <input type="checkbox"/> |
| h- Training staff | <input type="checkbox"/> |
| i- Promoting staff | <input type="checkbox"/> |
| j- Other (specify) _____ | <input type="checkbox"/> |

8- Indicate how important is each of the following activities to your bank.(5-1)

- | | 5 | 4 | 3 | 2 | 1 |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| a- Improving service quality | <input type="checkbox"/> |
| b- Establishing convenient branch locations | <input type="checkbox"/> |
| c- Paying more attention to promotional efforts | <input type="checkbox"/> |

- d- Achieving the lowest possible charges
- e- Increasing the Return on investments
- f- Training employees in other departments to
sell bank services
- g- Other (specify) _____

Part II:

For each of the following statements please circle the appropriate number that best describes your opinion about the statement (5 strongly agree, 4 agree, 3 uncertain, 2 disagree, 1 strongly disagree):

5 4 3 2 1

- 1- Marketing is more relevant to firms selling goods rather than to firms selling services.
- 2- Marketing became more important to banks due to increased competition from other financial institutions.
- 3- Marketing is another name for selling.
- 4- The aim of the bank is sell the services it can offer rather than offering what customers want.
- 5- Marketing has little influence on the day to day activities of the bank.
- 6- Customers needs should be the most influential factor in making most of the bank's policies and decisions.
- 7- market research is essential for gathering information about the customer.
- 8- Seeking out the banking needs and wants of the

market should be a continuous process.

9- The cooperation and coordination of all banks departments is very important to achieve both customers' and banks' objectives.

10- The entire business of the bank should be organised and operated to satisfy the customer at a profit.

11- A feeling of the market is more important than any amount of market research.

12- Competition between banks makes for better services.

13- Bank marketing strategy should be to offer more of the new services to existing customers.

14- one of the main uses of market research is to identify customers' needs and to pinpoint their buying habits.

15- A marketing department, if established, should be positioned at the same organisational structure level as other main investment, finance, branch departments, etc.

16- The main business of the Islamic bank is to increase sales volume, profit will follow naturally.

17- Market research is used to identify profitable market potential.

18- The branch manager should act as a source of marketing information in order to market the banks' services appropriately.

19- The most potentially useful person to promote the banks services is the branch manager.

20- Marketing decisions have great influence on other major departmental decisions.

21- Social responsibility should be part of the training of Islamic bank personnel.

22- Marketing means advertising and public relations.

23- A special function of the Islamic bank is directed towards social responsibility.

24- Marketing is not only much broader than selling, it is not a specialized activity at all, it encompasses the whole business, it is the whole business seen from the customers' point of view.

25- Communication between the branch manager and his customer is fundamental to an increased marketing role of the branch manager.

26- The marketing concept can be defined as "customer satisfaction at a profitable volume in an integrated efficient frame work, and in a socially responsible manner".

27- Islamic banks' decisions including marketing decisions, must be customer orientated.

28- Islamic bank's decisions and activities are closely related to the stability and growth of the society.

a- Number of years spent as a branch manager:.....

b- Branch location:.....

- c- No. of employees:.....
- d- No. of branches you managed:.....
- 1- Islamic bank branches
- 2- other banks branches
- e- Age.....
- f- Marital status:.....
- g- Qualification:.....
- h- Years of experience:.....

Thank you for your cooperation.

Hisham Jabr

Appendix 3

Customers 'Qustionnaire

Customer's Questionnaire:

1- Have you ever dealt with a bank before dealing with the Islamic banks? Yes No

2- When did you first learn about the Islamic bank?

Less than a year ago

From 1 to 3 years ago

From 3 to 6 years ago

6 or more years ago

3- Are you now dealing with another bank besides an Islamic bank?

Yes No

4- If the answer to question No. 3 is (Yes), please tick the services you receive from the other bank you deal with.

a- Current account

b- Savings account and time deposit

c- Foreign currency account

d- Bills discounted

e- Loans

f- Overdraft

g- Letters of credit

h- Letters of guarantee

i- Other (please specify)

5- Which of the services rendered by the Islamic banks are you using at present? (Tick all those that are appropriate).

- a) Current account
- b) Investment account
- c) Mudaraba
- d) Musharaka
- e) Murabaha
- f) Foreign currency account
- g) Letters of credit
- h) Letters of guarantee
- i) Others (specify)

6- How important is each of the following factors that led you to bank with Islamic banks? (5 v. Imp., 4 Imp, 3 Uncertain, 2 Not imp, 1 Not imp at all).

- | | 5 | 4 | 3 | 2 | 1 |
|----------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| - Wide range of services | <input type="checkbox"/> |
| - Quick service | <input type="checkbox"/> |
| - High return on investment | <input type="checkbox"/> |
| - Simple banking procedures | <input type="checkbox"/> |
| - Friendly staff | <input type="checkbox"/> |
| - Convenient location | <input type="checkbox"/> |
| - Bank advertising | <input type="checkbox"/> |
| - Being an Islamic bank | <input type="checkbox"/> |
| - Long pening hours | <input type="checkbox"/> |
| - Less queuing | <input type="checkbox"/> |
| - Adequate parking | <input type="checkbox"/> |
| - Financial strength of the bank | <input type="checkbox"/> |
| - Loyalty to customers | <input type="checkbox"/> |

- Low service charges
- Low investment risk
- Bank interior atmosphere
- Bank interest in social affairs
- Recommendations from friends,
relatives, neighbours
- Other (please specify)

7- How important was each of the following in informing you about the Islamic bank?. (5-1)

- | | 5 | 4 | 3 | 2 | 1 |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| - T. V. and Radio | <input type="checkbox"/> |
| - Press | <input type="checkbox"/> |
| - Recommendations from friends,
relatives neighbours | <input type="checkbox"/> |
| - Posters and leaflets in branches | <input type="checkbox"/> |
| - Direct mail | <input type="checkbox"/> |
| - Give away gifts | <input type="checkbox"/> |
| - Bank sponsoring sports and other events | <input type="checkbox"/> |
| - Other (please specify) | <input type="checkbox"/> |

8- How important was the role of the Islamic bank in informing you about the followings? . (5-1)

- | | 5 | 4 | 3 | 2 | 1 |
|----------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Islamic banking in general | <input type="checkbox"/> |
| Meaning of Mudaraba | <input type="checkbox"/> |
| Meaning of Musharaka | <input type="checkbox"/> |
| Meaning of Murabaha | <input type="checkbox"/> |

9- Please fill in the following data which will be used for general analysis only (do not write your name).

- Branch you deal with:

- Marital status: Single Married Other

- Sex: Male Female

- Area of residence:

- Age: 18-24 years

 25-44

 45-54

 55-64

 65 years and above

- educational level:

 Less than secondary education

 Secondary certificate

 Community college

 University degree and above

- Annual income:

 Less than J. D 300

 J.D 3000 to less than J. D 6000

 J. D 6000 to less than J. D 9000

 J. D 9000 and above

Thank you for your cooperation

Hisham Jabr.

C/O Saleh Elshantir

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