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GENERAL & APPLIED ECONOMICS | RESEARCH ARTICLE

Service quality and the moderating effect of *Shari'ah* perception on client satisfaction: A comparison of Islamic and conventional microfinance in Pakistan

Sarah Khan¹ and Waheed Akhter^{2*}

Abstract: Microfinance is an emerging concept which is improving the socio-economic status of customers. This study assesses customer satisfaction of clients of Islamic and conventional microfinance providers using a sample of 578 clients i.e. 289 from each side. Akhuwat and Kashf (Islamic microfinance) and RCDS and DAMEN (conventional microfinance) are selected. The correlation, regression, ANOVA, and interaction tests are used for testing the relationship of *Shari'ah* perception as moderator between service quality and client satisfaction. The results indicate that *Shari'ah* perception acts as a strong moderator in case of Islamic microfinance whereas it is a weak moderator in case of conventional microfinance. The study concludes that *Shari'ah* perception is playing a vital role in enhancing the customer satisfaction in Islamic microfinance. It has important implications for policy-makers and Islamic microfinance providers to design *Shari'ah* awareness programs to enhance the *Shari'ah* perception of low income population.

Subjects: Entrepreneurship and Small Business Management; Services Marketing; Consumer Behaviour

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PUBLIC INTEREST STATEMENT

This study attempts to investigate the customer satisfaction of clients of Islamic, and conventional microfinance providers using a sample of 578 clients (289 from each of Islamic and Conventional microfinance) are selected. The study identifies that *Shari'ah* perception is playing a vital role in enhancing the customer satisfaction in Islamic microfinance. It has important implications for policy-makers and Islamic microfinance providers to design *Shari'ah* awareness programs to enhance the *Shari'ah* perception of low-income population.

Keywords: CMI (conventional microfinance institutions); IMI (islamic microfinance institutions); MFP (microfinance providers); SQ (service quality); SP (*Shari'ah* perception); CS (client satisfaction)

JEL classification codes: G20; G21; G29; N35

1. Introduction

Client's satisfaction is a vital element for organization as it determines the level of success. It would help the organization to proliferate, make it to compete strongly in the market (Hamzah, Ishak, & Nor, 2015). Client satisfaction is a new approach for quality in organizations and enterprises. It serves to develop pure client-centered management and culture (Mihelis, Grigoroudis, & Siskos, 2001). So organizations (including both financial and non-financial) are focusing on their customers, who ultimately have to buy their service or product or rebuy again if they would be fully satisfied. Seeing a huge competition in the industry in past few decades (Loke, Taiwo, Salim, & Downe, 2011), service organizations are focusing to establish the management system and corporate culture to ensure the customer satisfaction, objectively (Agus, Krishnan, & Kadir, 2000). So higher service quality results in higher customer satisfaction. That's why it is considered an important factor in conventional financial system. Customers' satisfaction is vital for banks to fulfill customers' expectations to compete (Hamzah et al., 2015).

Now these days, researchers are focusing on non-governmental organizations instead of banking sector and financial funds institutions. NGOs' major financing activity relates to microfinancing, in which microloans or microcredits are disbursed to poor and needy people. Microfinance influences the borrowing pattern of clients from informal sources (Islam, Nguyen, & Smyth, 2015). Conventional microfinance reduces poverty by generating income, lowering expenses, promoting and supporting the health and living standards of households (Ghaliba, Malki, & Imai, 2014). However, it creates problem of repayment of principal amount with interest as conventional microloans are highly charged by bank (conventional microfinance) (Aziz & Alam, 2012). Islamic Microfinance has overcome the problem of high interest by issuing interest-free loans to the poor clients (Bhuiyan, Siwar, Ismail, & Talib, 2011). Service quality was an important element to compete in the market by differentiation and retained customer satisfied to get long-term benefits (Caruana, 2002; Curry & Penman, 2004; Othman & Owen, 2001). But the major reason behind Islamic microfinance is the *Shari'ah* i.e. Islamic Law. *Shari'ah* is a set of laws and principles in Islam while the *Shari'ah* perception is envision or illusion or mindset about the *Shari'ah*.

This research work has the following objectives i.e. to investigate the role of service quality with respect to client satisfaction, to investigate the role of *Shari'ah* perception with respect to client satisfaction, to figure out the moderating role of *Shari'ah* perception between service quality and client satisfaction, and to identify the difference between Islamic and conventional microfinance clients with respect to service quality, *Shari'ah* perception, and client satisfaction. To achieve these objectives, we conducted a survey, by distributing 1,100 questionnaires on the bases of influx of clients in the major Islamic microfinance as well as conventional microfinance organizations in Pakistan. Out of them, 300 responses were received from Akhuwat and Kashf representing Islamic microfinance. So to make it comparable, 289 responses on questionnaires were taken from conventional microfinance (i.e. RCDS and DAMEN), to make the sample comparable. ANOVA and interaction tests were applied after doing and checking the pilot study by KMO & Bartlett's test and Cronbach alpha.

On the basis of statistical tests applied, findings suggest that *Shari'ah* perception has significant independent as well as moderating role between service quality and client satisfaction of clients from IMI as compared to that of CMI. While it was the general thought that clients from conventional microcredits do not have concerns with *Shari'ah* perception. This study removes this misconception and emphasizes that *Shari'ah* perception of conventional clients contributes towards their reduced satisfaction with CMIs. This is the major finding of this study as it reveals that *Shari'ah* perception of

clients also moderates between service quality and client satisfaction of client of conventional microcredits but in a negative way.

So it is recommended that policy-makers should take it into account while making policies, and managers of the IMIs should make strategies for availing this psychological factor to switch the clients from conventional microcredit to Islamic microcredit. The senior managers of IMIs who are responsible for internal policies and strategic decisions should focus on enhancing *Shari'ah* perception of their clients along with superior service quality to achieve higher client satisfaction. In this research, *Shari'ah* perception is introduced first time. Instead of banking sector, this research focuses on the foundations or NGOs as Microfinance Institutions (MFIs) in Pakistan. After the introduction, this research focuses on the relevant literature based on historic studies. Methodology section provides road map for this research. Results and findings are based on models and hypotheses testing for IMIs and CMIs. Last section concludes this research followed by recommendations and research implications.

2. Literature review

This literature review comprises of five sections i.e. conventional microcredit, Islamic microcredit, service quality, *Shari'ah* perception, and client satisfaction. First two sections of literature cover the two major sectors on microcredit under microfinance i.e. conventional and Islamic microcredit. These are followed by selected variables, i.e. client satisfaction, service quality, *Shari'ah* perception under the context of microcredit of microfinance. The country with high loan disbursed by MFI, tended to reduce the poverty level per capita by MFIs (Kamel & Jalel, 2015). They further said that when gross loan portfolio per head would be high and optimally utilized, it would reduce poverty, as the accessibility would be spread. It was confirmation of microcredit and its role in eradicating poverty at the large scale. There were higher numbers of microfinance institutions where there were large populations of poor people, as compared to countries where the MFIs in numbers are lower with respect to lower number of poor people (Imai, Arun, & Annim, 2010). The recent work is figuring out the relationship between the macro steps in economics and microcredit activities with respect to performance. Economists are focusing on empirical work to determine the impact of microfinance on the society.

2.1. Historic studies

Poverty is a growing problem while conventional microcredit looks as a way to remove poverty of the particular poor people segment. It can help to improve income generation level to fulfill their needs. The studies had emphasized on microfinance as a positive tool to overcome poverty and eradicate it which was obviously seen in overall income and expenses, especially in clothing and health by improving living standards of households (Ghaliba et al., 2014). It can help them form their own small business and promotes self-employment for both genders to bring economic change. But people with low income don't have access to banks or any other formal financial institutions. So the middle class of the society avail them. These are the main clients as so far observed of conventional microcredit. This is done on the basis of fewer interest suspensions. These interest rates are seen huge by their clients. The repayment rates recommended more negative evaluations of MFP and the purpose to transfer the optimal and stable financial services became more likely to be seriously sabotaged (Kabeer, 2001). The microfinance institutions ranged interest rate from 15–22% for formal institutions, while those for the non-formal institutional sources range from 33–120% beside (Kabeer, 2001). This is on the board that conventional financial systems were not caring about the poor. This has been ethically, morally, and spiritually hurting the poor people of rural areas. This is a burning and critical issue now.

There are many NGOs who are supporting and promoting microcredit in the South Asian region. But they had stopped working and cut down their activities in these areas. The reason was based on the failure to establish effective financial services for the poor people. Because they preferred their social issues to be resolved first (Rutherford, 2000). From these studies, it can be inferred that poor people and middle class are not capable of overcoming the stated terms and interest factor. But the reason of slow growth is that it doesn't target the entire poor group. The poor people won't be able

to get these loans due to interest payments or the procedures required to be followed. There is an alternative way of conventional microcredit i.e. Islamic microcredit. It is based on a desire of prosperity without the interest factor. It aims to promote economic growth, prosperity of social set up and political system based on Islamic principles. It carries similar principles of trading, business, investment opportunities within the Muslim communities as stated by Saad (2012). The rules of Islamic microcredit are based on major concerned element of interest that is prohibited by Shari'ah. According to Obaidullah and Khan (2008), *Shari'ah* compliant finance was a major element to differentiate conventional and Islamic financial institutions. Islamic microcredit is nowadays considered as a panacea to eradicate poverty and increase social development by enhancing the economic growth with a sustainable pace.

When we are talking about microcredit, the first point that comes in mind is regarding the MFPs, that is customer or client's satisfaction. High performance and satisfied clients are considered good assets for an organization. They will be proved as the extension of words from mouth to mouth to support the organization. It would help the organization to proliferate, make it to compete strongly in the market (Hamzah et al., 2015). Client satisfaction depicted a new thing for quality in organizations and enterprises. It served the development of a purely client-based management and culture (Mihelis et al., 2001). In the past few decades, many previous researches have showed that image and reputation of the firm or organization are considered important by the customers, and they contribute towards customer satisfaction (Erol & El-Bdour, 1989; Metawa & Almossawi, 1998; Naser et al., 1999). So we can say, majorly organizations, whether they are service-based including financial or non-financial or manufacturing based, they focus on their customers, who at the end have to buy their service or product or rebuy again if they would be fully satisfied. Client satisfaction is a necessity for survival in the industry by ensuring satisfied clients at the end (Loke et al., 2011). The firms with high customization rule of product and services with respect to customer's need, result in satisfied customers (Zhang, Vonderembse, & Cao, 2009). The main objective of total quality management is to ensure the customer satisfaction by the management system and corporate culture (Agus et al., 2000).

In order to be competitive it was vital for financial institutes i.e. banks to fulfill customers' satisfaction (Hamzah et al., 2015). That may improve clients' satisfaction and clients' loyalty in a better way for banking sector (Munawar & Mariam, 2014). In the financial sector, it includes banks, financial funds institutions and other non-governmental organizations. There are many researches present on banking and financial funds institutions while non-governmental organizations have got fewer light. NGOs' major financing activity relates to microfinancing, in which microloans or microcredits are disbursed to poor and needy people.

When we are talking about microcredit, then other points comes in mind regarding the services provided by MFPs. The first point is adapting service quality. Service quality (SQ) in conventional and Islamic microcredits had become important because of its relationship to costs apparently (Crosby, 1979). The factor of profitability also tangled in the service quality (Buzzell & Gale, 1987). Organizations can perform better with better services provided. High service quality concerns of the organization leads to better profitability of organization (Zahorik & Rust, 1992). Service quality links to client satisfaction (Bolton & Drew, 1991). Service quality helps in retaining clients on long run basis (Reichheld & Sasser, 1990) and positive word of mouth. SQ was widely regarded as a driver of corporate marketing and financial performance in financial sector, for example banking sector (Kwon & Lee, 1994; Mon Wong & Perry, 1991), while service quality is related to client's perceptions (Boulding, Kalra, Staelin, & Zeithaml, 1993). The lower level of service quality and low organizational commitment lead to low client satisfaction. It had an immediate but resultant effect on switching intentions which lead to higher switching rate of clients from one firm to other.

Whether there is service industry or manufacturing industry, services are provided on the need and demand of the customer. Gap analysis showed the significant relationship between service quality and client satisfaction, at how much level it was satisfied by different dimensions of service quality (Loke et al., 2011). This was used to test the link between the service quality and the customer satisfaction (Loke et al., 2011). The Islamic bank should be concerned about the quality of service (service quality) and linked to religious view (Othman & Owen, 2001). Whether there are conventional or Islamic organizations, financial or non-financial, service quality matters a lot because it is the first priority of customers.

Service quality and the *Shari'ah* aspects were concerning points in the Othman and Owen research work. It was underscored that the Islamic bank are more concerned about the service quality and products/services which are taken by customers having high value religious matters because it relied on the basis of the concept of religion (Islam) (Othman & Owen, 2001). There was high competition between Islamic and conventional banking in Indonesia and that's why they used service quality as a winning strategy (Deasy & Subagioa, 2015). The objective of their study was to demonstrate the understanding level of the client-based strategy making. It will show the capability in terms of mindset about *Shari'ah* of the differentiations in the service quality in comparison to Islamic and conventional banking. *Shari'ah* perception is the mindset of people including Muslims and non-Muslims about *Shari'ah*, while *Shari'ah* is Islamic set of rules and laws. And what the perception means, in very simple words, it is the process of selecting, organizing, and interpreting stimuli into a meaningful picture that gives attachments. Obaidullah (2009) focused on the criteria for *Shari'ah* acceptability of assets for inclusion in Islamic funds. The majority of the Islamic financial institutions regarding banking clients were satisfied by service quality provided by their banks. While, their relationship between service quality and customer satisfaction was significant (Amin & Isa, 2008). In the manufacturing as well as the service industry, both have end users who are their clients or customers. They have to fulfill their customer needs and demands leading to satisfy them because their satisfaction has strong connection with organizational profitability (Kwon & Lee, 1994).

2.2. Hypotheses

Service quality is the key to the success of MFI. On the basis of literature review as mentioned above, the main hypothesis in this research is "Service Quality and the Moderating Effect of *Shari'ah* Perception on Client Satisfaction; A Comparison of Islamic and Conventional Microcredit in Pakistan."

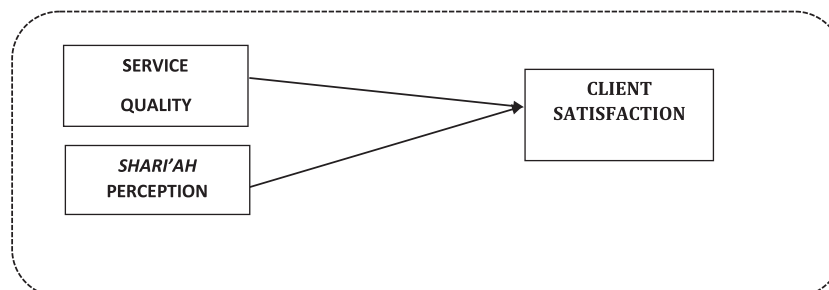
Service quality is considered an important factor in product differentiation and customer retention to obtain long term organizational benefits (Curry & Penman, 2004). While to attain competitive edge, compete and get position in the market, there was need of concentration on service quality and client satisfaction (Caruana, 2002). On the basis of above-mentioned literature, we develop the following hypothesis.

H1: Higher service quality for both perspectives will result in higher client satisfaction.

As Obaidullah and Khan (2008) said, *Shari'ah* compliant finance was a major element to differentiate conventional and Islamic financial institutions. In conventional finance there was more focus on service side while Islamic microcredit comprised on the *Shari'ah* to be accepted by clients who preferred religious matters, their preference to *Shari'ah* is based on *Shari'ah* perception.

Amin and Isa (2008) showed that there was a proportion of awareness of Muslims about the products and services of Islamic financial Institutions. That compared highly to non-Muslim clients. The clients of Islamic banking were satisfied.

H2: Higher *Shari'ah* perception for Islamic microcredit will result in higher client satisfaction. While lesser *Shari'ah* perception for conventional microcredit will result in higher client satisfaction.



2.2.1. Model: 1

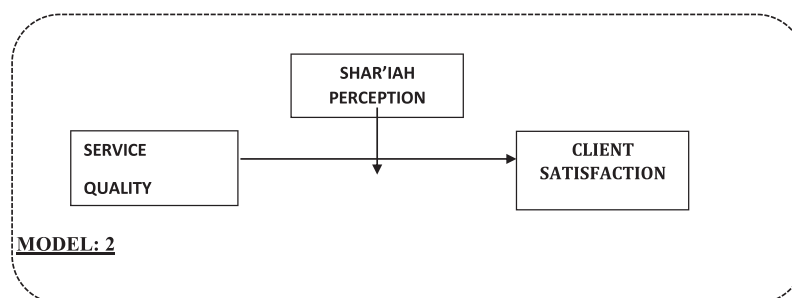
Othman and Owen (2001) concentrated on quality of service. They argued that services were considered as having high religious value (*Shari'ah* perception) because it is perceived on the basis of the concept of religion (Islam) by the customers. Service quality and the *Shari'ah* aspects were concerning points intriguing for the customer satisfaction. Abdullah, Sidek, and Ahmad (2012) examined customers' perception about the Islamic banking products and services (while Islamic products are based on *Shari'ah* and this perceptions actually linked Islamic products. That means *Shari'ah* perception).

On the basis of these above researches and indirect ideas, for my research, there are three hypotheses by using moderation concept and interaction test will applied later on this research. Firstly *Shari'ah* perception acts as a moderator variable between independent variable i.e. service quality and the client satisfaction which is dependent variable, in both perspectives. We will see and apply this hypothesis on clients of Islamic and conventional microcredit. In other two hypotheses moderation concept is used. Secondly, SQ has stronger impact on CS in presence of *Shari'ah* perception than SQ has impact on CS alone in Islamic microcredit. Thirdly, SQ has lesser impact on CS in presence of *Shari'ah* perception than SQ has impact on CS alone in conventional microcredit. For this model 2 is used.

H3: *Shari'ah* perception acts as a moderator variable between service quality and the client satisfaction both perspectives.

H4: Service quality has stronger impact on client satisfaction in presence of *Shari'ah* perception than service quality has impact on client satisfaction alone in Islamic microcredit.

H5: Service quality has lesser impact on client satisfaction in presence of *Shari'ah* perception than service quality has impact on client satisfaction alone in conventional microcredit.



MODEL: 2

2.2.2. Model: 2

Model 1 is based to check the individual independent relationship to the dependent variable. While, the model 2 is based on the moderation. In this we have checked the fusion of SQ and SP on the CS in form of moderation effect of SP with SQ towards CS.

3. Microcredit in Pakistan

Pakistan microfinance network report of 2014 has explained that the Government of Pakistan had introduced microcredit program in 2014 without interest factor to reduce poverty and try to lower unemployment. In this plan 3.5 billion rupees were dedicated for the poor and indigent population in the country. When this information prevailed, stakeholders of microfinance industry were abruptly disturbed as they showed apprehensiveness toward this program as it had to cut down the market share of conventional microfinance. To safeguard the concern of conventional microfinances, this program had decide to go by the national apex. Pakistani poverty alleviation fund and loans would be given to poor people who lie under 40 on the poverty scorecard. Union councils had got the hold of this program through which conventional microfinance institutions were not able to interfere. There are more than 24 MFPs that have partnered with Pakistani poverty alleviation fund. It was expected to add 1,000,000 active borrowers in next three years. It was nut shelled and concluded as the majority of the respondents in that scheme, got the loan for their existing business expansion. Eighty percentage of them utilized the loan for intended purpose (Rafay Muzamil et al., 2014).

3.1. Conventional microcredit in Pakistan

Poverty is a growing problem of Pakistan. Conventional microcredit was considered as a solution to remove poverty. It was a plan to assist in improving income generation level to fulfill the needs of poor. It could help them to make their own small business. It was planned to support self-employment for both genders to bring economic change. But people with low salary did not get approach to banks or any other formal financial institutions. It was the middle class of the society that availed them. Later on they were considered the major clients of conventional microcredit. The microfinance sector with targeted market has huge borrowers group and government has set the outreach goals. But this is not as simple as it seems. The objective of conventional microcredit is quite simple – it is to make a change systematically by interest fusion in financial systems worldwide. The aim of conventional microcredit and the CMIs is to multiply the interest on loans and make people to tangle in it for long run instead of benefiting. CMIs were considered to promote the microcredits which would also increase the chances of employments and entrepreneurship activities. This would give empowerment to people. Effects of conventional microcredits in microfinance on the poor people can be seen by reduced poverty and improved living standards.

As the CMIs have planned, they do not get that mark to satisfy and show optimal results. But fewer are seen. There is positive effect of microfinance to reduce poverty by generating income, lowering expenses, promoting and supporting the health and living standards of households (Ghaliba et al., 2014). Bangladeshi microfinance have reduced poverty and met the expenses regarding household for basic food or nonfood needs (Khandker, 2005), while there is positive effect and role of microfinance toward the rural clients in Uganda.

On the basis of the compilation of data, which was gathered from micro financial institutions of India, Guatemala and Ghana, it was suggested that the role of microfinance was effecting positively on clients' businesses and households (Mcintosh et al., 2008). Microfinance has proven more positive in the urban areas of India by showing positive effects in client's income (Imai et al., 2010). People who use microfinance experience more positive effects compared to those who do not avail this facility to overcome their poverty (Morduch, Robert, & Graduate, 2002). So they did analysis on client and non-client of MFI. But in fact, poor people are not capable of overcoming the stated terms while people from the middle class also do not avail conventional microcredit due to interest factor. The poor people won't be able to get these loans due to interest payments or the procedures required to be followed. The CMIs selected for this study were discussed before in Table 1.

Table 1. Reliability/Cronbach's alpha

	Items in each case	CMI	IMI
Service quality	16	0.711	0.606
Shari'ah perception	7	0.534	0.570
Client satisfaction	4	0.927	0.760
Overall cronbach α	27	0.795	0.674

Notes: CMI = Conventional microfinance institutions; IMI = Islamic microfinance institutions.

Client satisfaction is the representation of modern approach of quality in organizations. It serves as a development role to make customer-focused management and culture. The feedback about preference of clients and expectations of the clients, are ways to measure client's satisfaction. For CMI sector, the major focus is on their service quality to convince their clients to deal with them in long run. The interest and payment terms of CMI sector have made the clients to think of alternatives.

3.2. Islamic microcredit in Pakistan

Even though there are various beneficial concepts of Islamic microcredit, it attracts less attention from many countries to implement. The growth of Islamic microcredit in Pakistan or other Asian countries is still in infancy stage because there is a limitation of microcredit services or products provided by commercial banks such as Bai al Innah. Some Islamic banks offer loans based on Qard-hassan (interest-free), but still they impose a certain percent service charge on loan offered as their fee of process.

The first conference on national level about Islamic microfinance of Pakistan was held in 2011, on Poverty alleviation through Islamic microfinance. It was relating to microcredit and micro loans, on 29 January at Lahore chamber of commerce & industry. It was the success of this conference as it attracted the organizations to build a network to meet the challenges in the sector. There were prominent organizations present in that conference i.e. Akhuwat, AHAN, Alhudda, CWCD, CIBE, Naymat Islamic Microfinance, Islamic relief, SMEDA, Kashf, Mojaz Foundation, Manzil Program, Islamic Microfinance Network International, Pak Qatar Family Takafal, Lahore Chamber of Commerce and Industry, SAARC Chamber of Commerce and Industry, Federation of Pakistan chambers of commerce and Industry and Women Chamber of Commerce & Industry. In the previous decade, it has tremendous growth and transformation of society in Pakistan's Islamic microcredit sector, starting from 60,000 clients in 2,000 to over 400,000 clients in 2014 while overall there are 2 million clients of Islamic microcredit in the world. Islamic microcredit provider are six including Akhuwat, Kashf, Asasah, Deep, Wasil and Naymet foundation while Buksh foundation, Community Support Concern (CSC), DAMEN and RCDS were conventional microfinance providers in Pakistan till 2015. Still Pakistan has 56% adult population totally excluded from the penetration level while 32% has served informally. The overall MFIs in Pakistan in 2015 have USD 788 million loans disbursed to 3.5 million borrowers. In the end of 2015, 3.7 million borrows are recorded in combine to Islamic and conventional microfinance sector with 915 loans disbursed. In a meeting of the federal cabinet which was held on September 2015, a participant told that the Prime Minister was concerned about reducing the cost of loans, and its scope was being extended to benefit 300,000 households with small landholdings. So this will be good signal for conventional microfinance institutions. Although, top Islamic and conventional foundations (NGO), have their operations in Lahore city of Pakistan, yet for the research purpose, those organizations are chosen that have more the 10,000,000 USD value of loans disbursed. This data is taken by the end of 31 December 2015 leading to start in 2016.

So the Islamic foundations we have taken from Lahore are given in pie chart 1 for Islamic microfinance institutions (IMIs) in Pakistan while pie chart 2 is showing conventional microfinance institutions (CMIs) in Pakistan. Akhuwat and Kashf foundations show the majority of the percentage in loan disbursement basis. That's why we selected these two foundations for IMIs in this research. While,

the DAMEN and RCDS are showing the major portion in conventional foundations. That's why we get these to be research from CMIs. In this research we take two top or major foundations from both Akhuwat and Kashf from Islamic microfinance institutions as well as RCDS and DAMEN from conventional microfinance institutions to make it comparable. Organizations from both sectors are selected based on their highest loan disbursement and major market share as shown in Tables 2 and 3.

Dhumale and Sapcanin (1999), Zafor (2007), Ashraf (2007), Farook (2007), Chowdry (2006), Goud (2007), Ferro (2005) and Associated Press of Pakistan in 2000, had highlighted the necessity of Islamic microcredits especially as they stated different similarities likewise sharing of the risk, egalitarian (equality), innovate with ideas and competitive. There are many people who consider interest as a forbidden element which is called Riba in Islam.

While service quality in microcredit in Islamic microfinance has become important because it has relationship to costs (Crosby, 1979), the factor of profitability also tangled in the service quality (Buzzell & Gale, 1987). Organizations can perform better with better services provided (Rust & Zahorik, 1993). High service quality concerns of the organization leads to better profitability of organization (Zahorik & Rust, 1992). Service quality links to client satisfaction (Bolton & Drew, 1991).

Chart 1. Islamic Microfinance Institutions in Pakistan.

Source: Pakistan Microfinance Review (PMR, 2014).

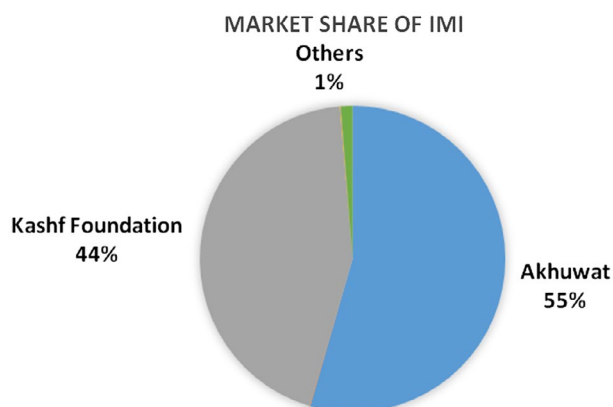


Chart 2. Conventional Microfinance Institutions in Pakistan.

Source: Pakistan Microfinance Review (2014).

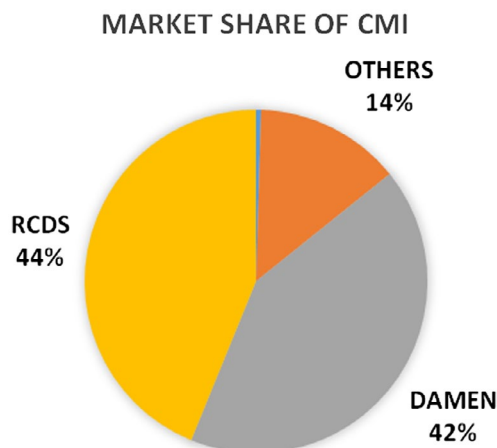


Table 2. Top Islamic microfinance institutions in Pakistan

No.	IMFIs	Loans (USD)	Borrowers
1	Akhuwat	54,940,813	469,017
2	Kashf foundation	44,480,269	249,251
Total		99,421,082	718,268

Source: Pakistan Microfinance Review (2014).

Table 3. Top conventional microfinance institutions in Pakistan

No.	CMFIs	Loans (USD)	Borrowers
1	DAMEN	10,920,704	44,814
2	RCDS	11,410,240	63,620
Total		22,330,944	108,434

Source: Pakistan Microfinance Review (2014).

There is positive relationship between client satisfaction and quality of the service. Service quality helps in retaining clients on long run basis (Reichheld & Sasser, 1990) positive word of mouth. It has improved the market performance of the banking sector (Kwon & Lee, 1994). There exists significant association between service quality and market performance (Mon Wong & Perry, 1991). Islamic finance is defined as a financial relationship involving self-employment or investment in entrepreneurship which is subject to moral prohibitions (Jobst, 2007).

Islamic banks were concerned about the quality of service (service quality) (Othman & Owen, 2001). They stated further two reasons: at first, Islamic bank products and services are considered as having high religious value with quality where *Shari'ah* in banks is believed as worship. Secondly, the adoption of service quality in the Islamic bank is more important as it helps them to retain their customers. So here we are relying on information on different institutions like NGOs in Pakistan who are offering Islamic microcredit in Pakistan successfully.

According to Islamic laws and rules, people should need to trade based on real products or services including the profit and loss property. They have to share profit and they have to share loss in the business ethically. Proper wealth distribution creates strong and long-term impact on poverty alleviation. Islamic microcredit is based on no interest rule. It benefits the poor better than the conventional microcredit. Poor people avail the microcredits and improve their economic level. This empowered poor (Dichter, 2006) but on the other side it was a social liability (Awojobi & Bein 2011). It is not only to empower but to reduce global poverty (Daley-Harris, 2007). In past, few steps had been taken to reduce poverty in Muslim countries. Further, it is required to enhance social activities and living standard of society. Islamic microfinance is important to alleviate the poverty from society by right movement of funds to develop micro entrepreneur projects (Zuraidah et al., 2014). Through microfinance, poor people assist in fulfilling needs, giving empowerment, and saving against vulnerability (UNCDF, 2004). These are purely based on gender equality. In fact it is empowering women too. The lending process in groups are more secured (Dusuki, 2006) while Ibn Khaldun suggested Asabiyah. This was combining or unifying the force. This is considered as new concept of social capital. The microfinance institutions (MFI) are now working on the importance of client satisfaction. Because of its importance, they need to focus on the quality of their services. Table 4 shows a summary of studies that have been conducted on Islamic and Conventional Microfinance.

Table 4. Literature summary

Author	Methodology	Sector	Country	Research findings
Erol and El-Bdour (1989)	Qualitative approach	Islamic and conventional banking comparison	Jordan	Customers is reputation and image of organization, through which customers becomes satisfied on readily basis
Bitran and Lojo (1993)	Empirical	Manufacturing and service sector comparison	Europe	Strength & weakness of service provider according to service quality
Boulding et al. (1993)	Empirical findings	Corporate	Global	Perception of dimension of service quality are functions of customer's prior expectations
Kwon and Lee (1994)	Quantitative approach	Retail banking	Singapore	SQ (service quality) leads to profitability which in return increase productivity. So higher SQ results higher customer satisfaction
Metawa and Almosawi (1998)	χ^2 tests	Islamic banking	Bahrain	Aware customers have highest satisfaction on IB's elements of services
Dhumale and Sapcanin (1999)	Empirical	Islamic MFI and banking	Arab states	Islamic MF as tool for entrepreneurship and making customer satisfied
Naser et al. (1999)	Quantitative approach	Islamic banking	Jordan	Customers becomes satisfied on image of organization
Agus et al. (2000)	Quantitative approach	Manufacturing industry, corporate	Malaysia	Total quality management is to ensure client satisfaction by establishing the management system and corporate culture
Othman and Owen (2001)	Validity significance (weights & percentages)	Islamic banking	Kuwait	Service quality (Carter with 34 elements) Islamic banks
Caruana (2002)	Regression and ML estimators	IT and banking	Malta	Customer satisfaction as mediator, played role between service quality and service loyalty
Curry and Penman (2004)	Qualitative	IT and banking	Scotland	Proper use of technology in banking leads to customer relationship better
Khandker (2005)	Panel data approach	MFI	Bangladesh	MF loans results in lowering poverty
Ferro (2005)	Qualitative	Islamic and global banking	Global	Islamic MF with product diversification, create value
Mcintosh et al. (2008)	Retrospective panel data	Households	Guatemala, India, Ghana	Discrete events in MF improve households' living
Obaidullah and Khan (2008)	Cases, empirical/qualitative	Islamic banking	Muslim countries around the globe	Micro, meso and marco level application of <i>Shari'ah</i> complaint products
Obaidullah (2009)	Qualitative	Islamic funds industry/ Islamic banks	Saudi Arabia	<i>Shari'ah</i> acceptability of assets for inclusion in such equity funds
Zhang et al. (2009)	Mediating, moderating, and additive models	Manufacturing industry	Global	The firms with high product concept flexibility with respect to customer's need, act independently and additively to predict customer satisfaction
Imai et al. (2010)	Binary treatment effect (tobit & propensity score matching model)	Microfinance Institutions	India	Poverty reduction by MFI loans are more in rural than urban areas
Bhuiyan et al. (2011)	Qualitative analysis	Islamic banking/ Islami bank	Bangladesh	Islamic microcredit is an alternative approach to enhance the socio-economic status by accessing it and reduce poverty instead of conventional
Loke et al. (2011)	t-test	Telecommunication	Malay, China and Indian	Service dimensions are significant and positively influenced clients' attitudes in terms of satisfaction and loyalty
Imai et al. (2012)	Cross sectional & panel data approach	Microfinance Institutions	Developing countries	Higher MFI loans leads to lower poverty indices

(Continued)

Table 4. (Continued)

Author	Methodology	Sector	Country	Research findings
Saad (2012)	Quantitative (frequency & percentages)	Islamic MFI	Bangladesh	Islamic MF product diversification (MF outreach), Suitable Islamic microfinance products for suitable activities to implement in AIM
Zuraidah et al. (2014)	Empirical	Islamic MFI and conventional MFI	Malaysia	Fund Transfer, entrepreneur at micro level, social development and liabilities through Islamic and conventional MF
Rafay Muzamil et al. (2014)	Qualitative and quantitative both. Case study on akhuwat	MFI	Pakistan	Interest free microcredit generate good livelihood and income in KPK, case of Akhuwat
Rasheed and Masoumeh (2014)	Bartlett's test	Banking, insurance, and telecommunications industry	Malaysia	The SQ, trust & perceived value are taken as antecedents of clients loyalty
Munawar and Mariam (2014)	Regression	Banking	Pakistan	Service quality has positively link to customer satisfaction and customer loyalty
Kamel and Jalel (2015)	Cross sectional & panel data approach	Microfinance Institutions	Developing countries	Higher MFI gross loans per capita in portfolio results to reduce poverty
Hamzah et al. (2015)	Survey approach and questionnaire based, correlation	Islamic banking	Malaysia	There is a positive relationship between CS and SQ
Hashim and Dodo (2015)	Logistic regression	Microfinance banks	Nigeria	The extension of microcredit to larger poor households to mitigate the menace of poverty in Kano State

Data is collected through distributing questionnaires and taking interviews on the basis of these questionnaires. Three-hundred respondents filled the questionnaires for IMI but only 289 were fully filled. While to match this, clients of CMI who filled full questionnaires are 289. So sample size becomes 578 by simple random sample. To get results, in this research, reliability test, correlation, regression, ANOVA, and interaction test are run. To measure service quality, timely responsiveness reliability and assurance dimensions are used (Amin & Isa, 2008; Caruana, 2002; Parasuraman, Berry, & Zeithaml, 1993). Client/customer satisfaction measurement is taken from Caruana (2002) and Hamzah et al. (2015). Whereas, insights for *Shari'ah* perception were taken from Mansori et al. (2015) and Obaidullah (2009). Interaction test is used to check the moderation effect of *Shari'ah* perception. So centered value of service quality and *Shari'ah* perception are calculated to calculate their cross-centered value which is SQ-SP centered value. This is moderator's value. So in this research, service quality, *Shari'ah* perception, and client satisfaction in raw form are used for calculating the results of hypotheses for model 1. Calculated value based on raw variables are SQ-centered (service quality), SP centered (*Shari'ah* perception centered), and SQ SP centered (service quality and *Shari'ah* perception centered) for checking the moderation effect of *Shari'ah* perception between service quality and client satisfaction in case of model 2.

5. Results

5.1. KMO & Bartlett's test and reliability/Cronbach's α

Normally KMO value resides from 0–1. The closer to 1 is considered much better while it should be at least greater than 0.5 to be acceptable. In this research, this test is applied to get results for the sample adequacy and significance. It shows that both CMI and IMI are significant and reside in acceptance region by having value of 0.616 for CMI and 0.744 for IMI. While Bartlett's test of sphericity also lies above 0.05, showing 95% level of significance as given in Table 5.

Table 5. KMO and Bartlett's test

		CMI	IMI
Kaiser-Meyer-Olkin measure of Sampling adequacy		0.616	0.744
Bartlett's test of sphericity	Approx. χ^2	9,544.079	4,810.909
	Df	351	351
	Sig.	0.000	0.000

To check the reliability of the variables according to related items present in questionnaire, Cronbach's alpha is calculated. This shows the measure of internal consistency. That is, how closely related a set of items are as a group. It is used to measure reliability. In case of CMI, service quality has α of 0.711 while *Shari'ah* perception has α of 0.534. Client satisfaction has α of 0.927. In case of IMI, service quality has α of 0.606 while *Shari'ah* perception has α of 0.570. Client satisfaction has α of 0.760. The overall α for CMI is 0.795 and IMI is 0.674 as depicted in table.

There is significant correlation between service quality, *Shari'ah* perception, and client satisfaction in case of model 1. Service quality has positive correlation to client satisfaction with 0.514 while *Shari'ah* perception also has positive correlation to client satisfaction with 0.270 in CMI. While there is also significant correlation in case of model 2 as well with negative correlation of moderator (SQ-SP centered) to client satisfaction which is 0.297. All below 0.05. Service quality has positive correlation to client satisfaction with 0.528 while *Shari'ah* perception also has positive correlation to client satisfaction with 0.186 in IMI model 1 while in its model 2 moderator factor has correlation -0.127 . These all are also below 0.05, so these are all significant as shown in Table 6.

Model 1 depicts the independent relationship to service quality and *Shari'ah* perception to client satisfaction, while Model 2 depicts the moderating relationship of *Shari'ah* perception between service quality and client satisfaction. CMI = Conventional Microfinance Institutions, IMI = Islamic Microfinance Institutions. While SQ = service quality, SP = *Shari'ah* perception, SQ centered = service

Table 6. Correlation for variables and moderation

	CMI-model-1				IMI-model-1			
	Service quality	<i>Shari'ah</i> perception	Client satisfaction		Service quality	<i>Shari'ah</i> perception	Client satisfaction	
Service Quality	1				1			
<i>Shari'ah</i> Perception	0.220**	1			0.128**	1		
Client Satisfaction	0.514**	0.270**	1		0.528**	0.186**	1	
	SQ-centered	SP-centered	SQ-SP-centered	Client satisfaction	SQ-centered	SP-centered	SQ-SP-centered	Client satisfaction
SQ- CENTERED	1				1			
SP- CENTERED	0.220**	1			0.128*	1		
SQ-SP-CENTERED	-0.328^{**}	-0.120^*	1		-0.399^*	-0.145^*	1	
Client Satisfaction	0.514**	0.270**	-0.297^{**}	1	0.528*	0.186*	-0.127^*	1

*Correlation is significant at the 0.05 level (2-tailed) while $N = 289$.

**Correlation is significant at the 0.01 level (2-tailed) while $N = 289$.

quality centered, SP centered = *Shari'ah* perception centered. SQ-SP-CENTERED shows the moderation effect of service quality and *Shari'ah* perception. While five-scale Likert model is used in questionnaires in which 1 is representing strongly disagree and 5 is strongly agree.

In Table 7, model summary of this research is presented in which, strength of the proposed models for conventional and Islamic microcredits is given as well as the model fitness is also showed. Both models 1 and 2 in case of conventional microcredit as well as in case of Islamic microcredit are significant as their significance is below 0.05. The Durbin Watson values also reside 1–4, which shows the satisfactory indication that there are no chances of success errors which create issues.

The parameter's *t*-value and significance (*p*-value) give a brief view of the independently affecting variables and their significance in model 1 and also in case of moderator SP in model 2. As you can see, in model 1 for both cases, CMI or IMI, are significant. There *p*-value are below 0.05. As you can see, moderating effect in model 2 for both cases, CMI or IMI, are significant. CMI-model 2 has SQ-SP-Centered significance value at 0.010 while IMI-model 2 has SQ-SP-Centered significance value at 0.036. These are below 0.05. The negative relationship of interaction value in CMI shows that service quality influences client satisfaction under the interaction effect of *Shari'ah* perception which is moderator. This term shows that as *Shari'ah* perception of client enhances, leaving client less satisfied, and the surrounding puts less pressure to adopt other alternative, Islamic microcredits Table 8.

Model 1 depicts the independent relationship to service quality and *Shari'ah* perception to client satisfaction, while Model 2 depicts the moderating relationship of *Shari'ah* perception between service quality and client satisfaction. CMI = Conventional Microfinance Institutions, IMI = Islamic Microfinance Institutions. While SQ = service quality, SP = *Shari'ah* perception, SQ centered = service quality centered, SP centered = *Shari'ah* perception centered. SQ-SP-CENTERED shows the moderation effect of service quality and *Shari'ah* perception. While five-scale Likert model is used in questionnaires in which 1 is representing strongly disagree and 5 is strongly agree.

Table 7. Model summary

	CMI-model 1	CMI-model 2	IMI-model 1	IMI-model 2
<i>R</i>	0.539	0.554	0.542	0.552
<i>R</i> ²	0.29	0.307	0.293	0.304
<i>F</i>	58.485	42.013	59.404	41.555
Sig. <i>F</i> change	0.000	0.000	0.000	0.000
Std. error	1.30686	1.29397	0.67306	0.66906
<i>R</i> ² change	0.29	0.307	0.293	0.304
<i>F</i> -change	58.485	42.013	59.404	41.555
Durbin Watson	1.338	1.321	1.860	1.867

Table 8. Parameter's comparison (based on *T*-value and *p*-value)

	CMI-model 1		CMI-model 2		IMI-model 1		IMI-model 2	
	<i>t</i>	Sig.	<i>T</i>	Sig.	<i>t</i>	Sig.	<i>t</i>	Sig.
SQ	9.357	0.000	–	–	10.236	0.000	–	–
SP	3.234	0.000	–	–	2.406	0.017	–	–
SQ-centered	–	–	8.170	0.000	–	–	10.308	0.000
SP-centered	–	–	3.127	0.002	–	–	2.625	0.009
SQ-SP-centered	–	–	–2.594	0.010	–	–	2.105	0.036

6. Hypotheses summary

On the basis of these results of the test, here is the summarized form of the findings by linking the hypotheses with the results. So here is the hypotheses summary which shows the findings of this research work in a glance. There are five hypotheses but first 3 are related to both IMIs and CMIs. So these are subdivided into six: three from IMIs' point of view. While hypothesis 4 is related to IMI and Hypothesis 5 is linked to CMIs.

Results of hypotheses show that all are accepted, except the H2 for conventional microcredit clients and H5. Rejection of hypothesis H2 (conventional) is due to positive correlation occurred in *Shari'ah* perception and client satisfaction in clients of conventional microfinance institutions. While we assume lesser *Shari'ah* perception resulted in higher client satisfaction which is rejected, it shows higher *Shari'ah* perception and higher client satisfaction than service. Rejection hypothesis H5 suggests that the combined form of service quality and *Shari'ah* perception has greater impact on the client satisfaction than the service alone on the client satisfaction. So it means moderation of *Shari'ah* perception works for clients of conventional microfinance institutions as well, while the other hypothesis also shows that *Shari'ah* perception has impact on the client satisfaction. So the moderation of *Shari'ah* perception is effecting client satisfaction as shown in Table 9.

Clients from CMIs have mindset, intrinsic feelings and envision about the *Shari'ah* perception because they want something more from their MFP to give them some relaxation in their microcredit terms. Interest perception also resides in their mind. They don't take it good for their optimal utilization of the awarded microloans. The terms and conditions of microcredit are affecting other decisions of loans. There are many other clients in CMIs who are not able to get another microcredit due to instructions and rules already provided and terms & conditions for already taken microcredit. They are satisfied but any change in any service or option provided to them will make them to change their mind and they can easily switch to other organizations which will give them more satisfactory microcredit. There is a huge segment of society who either does not avail the conventional microcredit due to interest payments or they are not eligible to get conventional microcredit according to pre-terms and conditions. While the users of IMIs do not bother much about service quality as compared to the users of CMIs, it still affects them. Clients of IMIs have vivid envision of *Shari'ah*

Table 9. Hypotheses summary with findings

Hypothesis	Correlation	F	R ² Status (R ² , R ² change)	p-value	Upheld/rejected
H1 (Islamic)	0.528	–	–		Accepted
H1 (Conventional)	0.514	–	–		Accepted
H2 (Islamic)	0.186	–	–		Accepted
H2 (Conventional)	0.270	–	–		Rejected (it is not negatively correlated)
H3 (Islamic)	–	41.555	0.304	0.000	Accepted
H3 (Conventional)	–	42.013	0.307	0.002	Accepted
H4 (Islamic)			SQ*(alone) 0.279***		Accept
			SQ (in moderation case) 0.304		
H5 (Conventional)			SQ (alone) 0.264***		Rejected (because moderation **SP form is more effective)
			SQ (in moderation case) 0.307		

*SQ = service quality.

**SP = *Shari'ah* perception.

***SQ alone is calculated separately. For IMIs its value is $R = 0.528$. R^2 and R^2 change are 0.279 while F and F change are 111.165 significant at 0.000 with Durbin Watson value of 1.864. While in case of CMIs its value is $R = 0.514$. R^2 and R^2 change are 0.264 while F and F change are 103.11 significant at 0.000 with Durbin Watson value of 1.201.

Table 10. Overview of hypotheses

Hypotheses	Accepted	Rejected
H1 (Islamic): Higher service quality will result in higher client satisfaction	Accepted	
H1 (Conventional): Higher service quality will result in higher client satisfaction	Accepted	
H2 (Islamic): Higher <i>Shari'ah</i> perception for Islamic microcredit will result in higher client satisfaction	Accepted	
H2 (Conventional): Higher <i>Shari'ah</i> perception for conventional microcredit will result in higher client satisfaction		Rejected
H3 (Islamic): <i>Shari'ah</i> perception acts as a moderator variable between service quality and the client satisfaction	Accepted	
H3 (Conventional): <i>Shari'ah</i> perception acts as a moderator variable between service quality and the client satisfaction	Accepted	
H4 (Islamic): Service quality has stronger impact on client satisfaction in presence of <i>Shari'ah</i> perception than service quality has impact on client satisfaction alone in Islamic microcredit	Accepted	
H5 (Conventional): Service quality has stronger impact on client satisfaction in presence of <i>Shari'ah</i> perception than service quality has impact on client satisfaction alone in conventional microcredit		Rejected

perception. That's why they have chosen the IMIs. Easy way of repayments and no interest payment with principal amount make them happier and more satisfied as shown in Table 10.

7. Discussion

After the results and hypotheses summary, there is a comparison of Islamic and conventional microfinance providers from Lahore city of Pakistan, with due reference to service quality, *Shari'ah* perception and client satisfaction. In this research, I have developed five hypotheses after reviewing the literature to compare both MFP streams in Pakistan. The results indicate that there is significant difference in the perception on the front board about CMIs and its clients and the clients of IMIs. That is positive. Both have equal opportunities on gender basis but males are availing it more than females. But female percentage will grow with passage of time.

Similarly, there is significant relationship between service quality and client satisfaction as well as the *Shari'ah* perception toward client satisfaction by the responses of the clients of IMIs and CMIs. However, there are more things as well. That service quality which is offered by Islamic microfinance institutions, leads to greater satisfaction among clients of IMIs in moderating case of *Shari'ah* perception. This is moderation effect which is significant. *Shari'ah* perception moderates significantly between service quality and client satisfaction. The moderating effect of *Shari'ah* perception was also found in service quality and client satisfaction of CMIs. It means that clients of CMIs may be dissatisfied due to the interest factor. There is immense and unusual response of client of CMIs for moderating role of *Shari'ah* perception. They also have some information about the *Shari'ah* role in Islamic microcredit and when they compare it to conventional microcredit then they feel unsatisfied due to interest factor. So that's why the hypotheses H2 in conventional case and H5 are rejected due to moderating effect of *Shari'ah* perception. This also shows a new opportunity for CMIs to open Islamic microcredit window as the conventional banks have done recently in Pakistan to compete in market, otherwise they might lose their market segment.

The comparison of the parameter's *t*-value and significance (*p*-value) basis gives a brief view of the independently affecting variables and their significance in model 1 and also in case of moderator SP in model 2. As you can see, in model 1 for both cases, CMI or IMI are significant. There *p*-value are below 0.05. As you can see, moderating effects in model 2 for both cases, CMI or IMI, are significant. CMI-model 2 has SQ-SP-Centered significance value at 0.010 while IMI-model 2 has SQ-SP-Centered significance value at 0.036. These are below 0.05. The negative relationship of interaction value in CMI shows that service quality influences client satisfaction under the interaction effect of *Shari'ah*

perception which is moderator. This term shows that as *Shari'ah* perception of client enhances, leaving client less satisfied with CMI, he might switch to Islamic microcredits.

8. Conclusion

This study has identified significant and strong moderating role of *Shari'ah* perception in the relationship between service quality and client satisfaction in case of Islamic microfinance institutions, whereas weak moderating effect is seen in the case of conventional microfinance institutions. This has identified the gap between the common thoughts and mindset about the *Shari'ah* perception that unlike it is not effecting the conventional microcredit clients but in fact it is effecting clients of conventional microcredit as it is effecting the clients of Islamic microcredit.

This study reviews the role of service quality and the moderating role of *Shari'ah* perception on client satisfaction that provide equal opportunities for all members of society. This is highly promoted by Islam due to positive measures to improve the life of the poor. In addition to it, clients of conventional microcredit having envision of *Shari'ah* perception might be attracted towards Islamic microfinance institutions.

It is concluded that managers of CMIs should think about opening Islamic microcredit window as conventional banks had done. This is necessary to retain their clients, to compete in the market, and to satisfy their client for long-term benefits. Similarly, they should arrange awareness among clients and employees for the improvement of their new Islamic products/services to enhance performance, while Islamic microfinance institutions should look upon the diversification of the same Islamic microcredit products and also their service quality to capture the more clients. This will improve their operations and there will be more profitability for IMIs in it. This will give more chances to more poor people to avail more Islamic microcredits to improve or enhance their economic level and living standard. By this, IMIs can be easily marketable and can be able to give awareness about their services according to Islamic instructions to compete with CMIs. This study has established an understanding about the relationship among service quality, *Shari'ah* perception and client satisfaction regarding Islamic and conventional microfinance sector in Pakistan.

9. Implications

There are many implications or future aspects about this study but the major are five. First two are based on managerial practices while the rest are based on future research. First one is that IMIs can use *Shari'ah* perception as a tool to make certain strategies that the client of CMIs switch to Islamic microcredit by IMIs. This will increase their market segment and make them to lead the microcredit and microfinance sector. Secondly, this impacting role of moderation can be used in such a way as to capture the client loyalty after they become satisfied. This will reduce the cost of switching of clients and this will enhance the profitability as well, because the marketing strategies will go hand in hand to this strategy. Thirdly, as it is linked to psychology we can form more links by using this envision or mindset of clients or peoples. We can make them get benefits from Islamic microcredits to improve their economic conditions, instead of begging or weeping on their luck. So this will help in motivating them to use facility of Islamic microcredits. Fourthly, due to my limitations as mentioned earlier, I can't be able to incorporate interest rates, switching rate/cost and performance indicators in this study. This is one of the future perspective to work on it. Last but not the least, it will help the practitioners of IMIs and CMIs to understand the important role of *Shari'ah* perception and service quality in enhancing client satisfaction. On the basis of the contribution of this study, other research work about this sector, product and differentiation about the actual and common concepts about Islamic microfinance and conventional microfinance sector in Pakistan, can be figured out.

10. Recommendations

On the basis of conclusion and implications, this research work suggests few recommendations toward two main bodies. Firstly, the policy-makers of regulatory body SECP which is Securities and Exchange Commission of Pakistan which in foundations and NGOs case, regulate them. Secondly, the managers of IMIs who are responsible for organizational internal strategic policies and decisions. Islamic microfinance institutions (IMIs) can use *Shari'ah* perception as a tool to make certain strategies that the client of conventional microcredit institutions, might switch to Islamic microcredit. They can also devise strategies to create awareness about Islamic microfinance services, through which they may attract the unaware people who have potential to become their clients.

Supplemental data

Supplemental data for this article can be accessed at
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