

A Comparative Study of Conventional Versus Islamic Banks in Oman

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Abstract

Purpose

This research evaluates the comparison and assessment between Islamic versus non Islamic financial institution in Oman. The main objective of this study is to examine and evaluate Islamic vs non Islamic bank products and services. We will also examine customer satisfaction survey between Islamic vs non Islamic customers.

Design/methodology/approach

The study based on primary and secondary data method to use data collection. We will mainly use survey and observation method to collect data and T test and ANOVA one way to analysis and for comparison between Islamic vs non Islamic customer satisfaction survey..

Findings

The research will find out variation between Islamic vs. non Islamic bank product and services differences and their implications on customers.

Practical Implication

The research article findings will help to academic, Banking professional and management to better plan, implication and execute consumer friendly banking policies. The findings will help to banks for making better strategy and finding opportunities in Oman.. The findings will also help in understand banking activities, locally and globally.

Originality/value

This paper furthers examine of online banking issues in Islamic society and in an area, Oman, that has not been covered before, in particular.

Keyword; Bank, Islamic and Conventional banks, products and services in banking sector, customer satisfaction.

Introduction

The research is Conducted in Oman and compare Islamic vs. Conventional bank in Oman. The Sultanate of Oman is an Arab absolute monarchy country on the southeastern coast of the Arabian Peninsula. The population of Oman is near about 4.5 million. Currency of Oman is riyal (OMR).The Oman economy is based on Oil, Gas, and tourism. Oman has

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having combination and regulation of Islamic and conventional banking, which is under IIB. Oman has 18 conventional banks and 5 Islamic Banks. So there are three types of bank in Oman: Conventional, Islamic and Islamic Bank Window.

Conventional Bank: **conventional banks** earn their money by charging interest and fees for services.

Convention Banks in Oman: Oman Arab Bank, Bank Of Baroda, Bank Melli Iran, Bank Saderat Iran, HSBC Middle east, Standard Chartered Bank, National Bank Of Abu Dhabi, Habib Bank Limited, National Bank Of Oman, Bank Dhofar, Bank Of Muscat, State Bank Of India, Bank Of Beirut, Bank Sohar S.A.O.G, Al-Ahli Bank S.A.O.G, Qatar National bank, Oman Development bank, Oman Housing Bank

Islamic bank window: Bank who are Islamic and follow conventional bank as are follows: Bank Muscat Meethaq Islamic, Muzn Islamic Banking, MAISARAH Islamic Banking Services, AHLI Islamic Bank (HILAL), Bank Sohar Islamic Window, Al Yusr Islamic Banking, Islamic banks in Oman:, Al Izz Islamic Bank, Nizwa bank

Islamic bank: Islamic banking, also known as non-interest banking, is a banking system that is based on the principles of Islamic, or Shari'ah, law and guided by Islamic economics. The Islamic Banks are: Bank Muscat Meethaq Islamic, Muzn Islamic Banking, MAISARAH Islamic Banking Services, AHLI Islamic Bank (HILAL), Bank Sohar, Al Yusr Islamic Banking

Products of Conventional bank:

- **Credit card:** cards provided credit facility.
- **Mobile banking:** banking facilities use cell phones.
- **Saving/current/FD account:** types of account.
- **Airlines credit card:** providing special discount and facilities in selected Airlines such as Oman Air.
- **Retirement plan:** plan after retirement or after job compensate monthly or queerly income through before retirement investment.
- **Debit card:** cards use in ATM and POS terminals.
- **Home/Car/Personnel loan:** loan for home, car or personnel, variation in interest rates.

The study compared customer satisfaction in difference level like age, gender and other significance level of conventional and Islamic banks in Oman.

Difference between Conventional and Islamic banking

Conventional Banking	Islamic Banking
Cash count and worth as object.	Cash isn't count as a object.
Interest charge on time basis.	Interest charge altogether cases by the seller in profit or loss. Bank works under on the plan of profit and loss sharing. (Mudarabah, Musharakah).
Profit on buy and sell of products or charging on providing service is that the basis for earning profit.	There is no harmony created for swap over of products & services.
Conventional banks use cash as a object and connected to inflation.	Islamic banking produce link real sectors of the financial set-up for trade connected activities.

Literature review:

Banking Sector in Oman reportedly relish a handsome unfold of around 4.2% with weighted monetary value of deposits of 1.177 and whereas the corresponding disposition yields 5.4%. the upper unfold is also imputable of to a

profitable deposit distribution, with one third of zero price deposit and the same fraction in low price saving account (Arasalan,2014). Islamic bank follows Islamic business philosophy as guided in Quran and described as *Shari'ah* (Khan and Mirakhor). Islamic banks stands on equal sharing system, means profit or loss will be equally share by investor and entrepreneur (Ahmad 2000). Islamic banking system based on Islamic law means all activities such as night club, casino, pig farm, wine factory , which is said harmful or haram in Islamic law (Shariah) are considered unlawful (Ahmed 2000). Banks should involve all activities considered halal in Islam (Ali 1994). Islamic system to promote society well fare (Iqbal 2005).Islamic bank system objective is not only commercialized but also social aspects (Dusuki 2005).The customer considered bank reputation is most important factor in conventional bank Karjaluato (2002). The customer considered fast service, bank image as important criteria in Islamic bank (Nasser etc all, 1999).

Research methodology:

The research conducted is in Oman and respondents covered Omani citizen. Respondent are personnel banking or retail banking customers. The Study used selected convenience sampling method to choose respondent and around 200 respondents our questionnaire. There is unequal distribution in age, gender, income and occupation in our sample. So, we choose unpaired T test, factor analysis tool to compare our analysis.

Data analysis and interpretation:

H1 Omani people mostly prefer Islamic bank compare to Conventional bank.

Result:

Our 140 respondent says that they are user of Islamic bank and 60 say Conventional bank users. It shows Islamic bank users more compare to conventional bank in Oman.

H2 Male and Female are same perception regarding selection of bank.

<i>Variance</i>	<i>Male</i>	<i>Female</i>
Mean	4.222222	2.833333
SD	0.444444	0.566667
Respondent	120	80
t Stat	3.759047	
P(T<=t) one-tail	0.001193	

Result: Shows there is a significance difference between male and female regarding selection of bank.

H3: High income people more satisfy with Islamic bank

<i>Variance</i>	<i>High income</i>	<i>Moderate Income</i>
Mean	4	1.5
Variance	0.666667	0.333333
Observations	115	85
P(T<=t) one-tail	0.001226	
t Critical one-tail	1.94318	

Result: Shows high income people more satisfy with Islamic bank

H4: Customer satisfaction scale:

We compare conventional bank and Islamic bank customer to their satisfaction scale

Factor	Conventional	Islamic
I am highly satisfied with bank services	0.72	0.88
My wise decision to choose this bank	0.79	0.92
Services of the bank is expected well	0.91	0.78
Employees are corporate well in bank	0.81	0.71
Bank meet my all requirements	0.79	0.93

Result shows customer of Islamic bank more satisfy with service, to right selection of bank and requirement criteria in other way services and employee criteria conventional bank customers more satisfy compare to Islamic bank.

Conclusion:

The research shown Islamic bank customers are more users and satisfied compare to conventional bank in Oman. Conventional bank need to more focus on services and customer satisfaction aspects to attract customers. The study is restricted to Oman especially urban areas such as Muscat, Sohar, Salalah, Sur cities and sample size is also too small. To get better insight, it is suggested to to increase sample size. This study only covers some factors, for future recommendation for researcher to explore factor and cover other countries and areas also to get more accurate facet.

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