

Determinants Of Customers Perception Towards Islamic Banking: A Quantitative Study In Nangarhar Province, Afghanistan

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Abstract

This paper explores the determinants of customer perceptions towards Islamic banking in Nangarhar Province, Afghanistan, with a focus on customer satisfaction, adoption, and long-term engagement. The research aims to examine the influence of factors such as customer awareness, bank profitability, and service quality on consumer preferences for Islamic banking products. A quantitative approach was employed, using a structured questionnaire to collect data from 150 respondents. The data was analyzed using SPSS software, and statistical techniques such as correlation analysis, reliability testing (Cronbach's Alpha), and multiple linear regression were applied. The results show a strong positive relationship between customer awareness and consumer preferences, while service quality emerged as the most significant factor influencing customer satisfaction. The findings also indicate that profitability had a weaker, insignificant impact on customer preferences. The study highlights the need for Islamic banks to improve service quality and profitability to enhance customer engagement and satisfaction in the region.

Introduction

Conventional banks operate on the principle that money generates money through interest-based transactions. In contrast, Islamic finance holds that money can only produce profit when it is utilized in a legitimate market transaction where a tangible service is provided. The Quran explicitly prohibits any financial dealings that involve *riba* (interest), emphasizing the ethical dimensions of financial transactions. Islamic banking not only forbids interest but also prohibits its practitioners from engaging in gambling, speculation, alcohol-related activities, and other unethical practices

(Hamadou et al., 2025). Most Islamic banking products are derived from existing conventional banking products, with the forbidden elements removed to ensure they comply with Shariah law (Atal et al., 2022).

As a result, it is imperative for Islamic financial institutions to ensure customer satisfaction with their offerings and to cultivate a positive perception of their banking services. This awareness drives Islamic financial institutions globally to continuously enhance their products and services to meet customer expectations and demands (Hatem et al., 2025). By doing so, they aim to build trust and loyalty among their customers while adhering to Islamic principles. However, the principles underpinning Islamic banking products and services such as ethical responsibility, religious values, customer benefits, and security face significant challenges in aligning with customer perceptions and satisfaction, particularly in Bangladesh. These challenges are often evident among practitioners, Shari'ah council members, and society at large, as they are potential users of Islamic banking products and services (Naseri & Sharofiddin, 2021). This study aims to assess these challenges by investigating the perceptions of Islamic banking customers regarding their satisfaction and word of mouth (WOM) concerning Islamic banking services. By enhancing service quality and prioritizing ethical responsibility and security practices, Islamic financial institutions can achieve greater customer satisfaction. This satisfaction, in turn, is likely to enhance customers' willingness to share their positive experiences with others, thereby encouraging new customers to explore Islamic banking products and services (Stanikzai et al., 2022).

Moreover, research by Adil et al. (2021) indicates that bank customers are particularly attracted to Islamic banks that provide straightforward and convenient banking solutions. Customers are also drawn to Islamic banks that demonstrate responsibility and take proactive steps to enhance customer satisfaction. In 2018, the resources of Islamic banks were assessed at approximately US\$1.5 trillion, and projections estimated these resources could reach as high as US\$3.2 trillion by 2020 (Adil et al., 2021). This substantial growth in resources presents an opportunity for a large number of individuals who could benefit from the offerings of the Islamic banking industry. By addressing customer perceptions and satisfaction effectively, Islamic financial institutions can further capitalize on this potential and expand their market reach.

However, Islamic banking, a financial system based on Islamic law (Shariah), has garnered significant attention in both Muslim-majority and global financial markets due to its interest-free principles and ethical guidelines. In Afghanistan, where Islamic values play a vital role in the daily lives of the population, Islamic banking has become an appealing alternative to conventional banking systems (Charag et al., 2020). Nangarhar, one of Afghanistan's key provinces, has experienced a rise in Islamic banking services due to its large Muslim population. The banking sector in the province reflects a dynamic interaction between religious beliefs, financial needs, and customer expectations. However, understanding how customers perceive and react to Islamic banking services in the province remains a crucial area of research, as it may influence the future direction of banking policies and services in the region (Jabarkhail, 2024). The perception and attitude of customers towards Islamic banking are shaped by several factors, including religious adherence, awareness of Islamic

financial principles, and trust in the banking institutions. Many customers are drawn to Islamic banking because of its adherence to principles such as the prohibition of interest (riba) and risk-sharing (mudarabah), which align with their religious beliefs. However, it is important to explore whether this religious inclination is sufficient for the widespread acceptance and success of Islamic banking in Nangarhar, or if other factors, such as customer service, financial literacy, and convenience, play a significant role in shaping customer preferences. Previous studies have shown that in regions with a strong Islamic cultural presence, the perception of Islamic banking is often positive, yet practical factors like trust in the institutions and awareness of product offerings significantly affect customer behavior (Atal et al., 2025). This paper aims to explore the perceptions and attitudes of customers in Nangarhar towards Islamic banking by investigating their understanding of its principles, their satisfaction with the services provided, and the challenges they face in adopting these services. Given the province's unique socio-cultural context, this research provides insights into how religious beliefs intersect with modern banking needs. It also offers recommendations for banking institutions to enhance customer engagement and service delivery. The findings contribute to the growing body of literature on Islamic finance, especially in Afghanistan, where the industry is still developing (Adil et al., 2021).

Problem statement:

Despite the growing presence of Islamic banking in Nangarhar Province, Afghanistan, there is limited understanding of how customers perceive and engage with these financial services. While Islamic banking aligns with the religious and ethical values of the region's predominantly Muslim population, the extent to which these religious principles influence customer adoption, satisfaction, and loyalty remains unclear. Additionally, challenges such as low financial literacy, limited awareness of Islamic banking products, and potential mistrust in financial institutions may hinder the growth of this sector in Nangarhar. Previous research on Islamic banking in Afghanistan has focused primarily on broader national trends, leaving a gap in localized studies that explore specific customer experiences and attitudes in key provinces like Nangarhar. This study aims to address this gap by investigating the perceptions and attitudes of customers towards Islamic banking in Nangarhar Province, with a focus on understanding the factors that influence customer satisfaction, adoption, and long-term engagement. The findings are help identify whether religious adherence alone drives customer choices or if practical considerations, such as product awareness, service quality, and trust, play a more significant role in shaping customer attitudes. Addressing these issues is critical to developing effective strategies for Islamic banking institutions to meet the financial needs of Nangarhar's population and expand their reach in the region.

Significance of the Study

Customers are a critical factor for banks, yet Islamic banks in Afghanistan exhibit a low market penetration. This study aims to help Islamic bankers understand the

variables that significantly influence customer preferences for Islamic banking products and services within the context of the Afghan banking system. Factors such as the effectiveness and efficiency of the bank, as well as recommendations from friends, may play a significant role in shaping these preferences. Through understanding consumer preferences, banks can better align their offerings with customer needs. Once we ascertain the level of consumer satisfaction with Islamic banking products and services, we can more easily determine the degree of consumer preference for these offerings (Abdel-Gadir & Billah, 2025). This research provides valuable insights to the Research and Development (R&D) departments of Islamic banks, enabling them to tailor their products and services to meet the demands of the new market based on customer preferences (Hamadou et al., 2025). This study briefly highlights information about Islamic banking products and services that they could fulfill their requirements, while mainly distinguishing Islamic and conventional banking products. Furthermore, the findings serves as a reference for the government of Afghanistan in efforts to enhance and promote Islamic banking within the country. While addressing customer needs and preferences, Islamic banks can increase their appeal and market share, ultimately contributing to the growth of the Islamic banking sector in Afghanistan.

Literature Review

Perception of Islamic Banking

The way customers think about the premise of Islamic banking systems is quite essential in the way they receive them. Islamic banking practice need not be viewed in isolation from conventional practices because they stem from different paradigms owing to injunctions against charging interest and emphasis on sharing risks. A number of scholars have pointed out that customers consider Islamic banking to be more ethical compared to conventional banking system due to the reason such banking system is perceived to be fairer in the Muslim-dominated countries (Nizam, 2025). The reason for this perception is mainly due to the way in which Islamic banking practice can be justified based on religious consideration. Nevertheless, the knowledge of the principles of Islamic banking can differ to a considerable extent as between customers. Shaiku (2025) suggest that the absence of publicity and knowledge about the range of products and services, which can be using the Islamic Banking refers to as Islamic Financial Services, may hamper acceptance. This means that as much as the perception towards Islamic Banking may be positive because the banking system is built on religious principles, there exist information gaps that if filled, can affect patronage.

Attitude of Customers Towards Islamic Banking

Customers' behaviour towards Islamic Banking is among of religiosity, trust on Banking sector, perceived benefit and utilization of Islamic Banking products. Hatem Falih et al., (2025) also found that religious commitment is such a significant determinant in the decision by customers to use Islamic banking. The findings also indicated that customers with high degree of overall obedience to Islamic tenets

would have positive attitude towards the Islamic banking. However, in addition to religion, there are more logistic factors which are important to customers like ease of services, customer service and the rates offered on the financial products (Atal et al., 2025). This somewhat negative customer attitude towards the Islamic banks may be due to misunderstandings regarding the way Islamic banks work especially in areas such as the region of Nangarhar where financial literacy is considered low, and thus calls for appropriate sensitisation by the banks offering the Islamic banking services.

Islamic Banking in Afghanistan

Banking services that apply Islamic banking in Afghanistan are relatively young, although they begin to grow regarding the increasing Muslim population in the country. According to Jabarkhail, (2025), the formal entry of Islamic banking in Afghanistan has been as a result of needs for Islamic compliant financial systems. However the sector has its challenges as illustrated next: Political instability, low financial literacy as well as poor banked up, this especially in rural areas such as Nangarhar. Nevertheless, there are challenges observed in Afghanistan and the Central Bank of Afghanistan has endeavored, in some ways, to develop regulatory instruments of Islamic banking. These efforts have led to improvements in the operations of Islamic financial institutions in the country though there is gradual expansion (Safi & Omar, 2020).

Customer Satisfaction in Islamic Banking

Customer satisfaction is one of the key factors in determining the outcomes of every banking system including the Islamic one. A study shows that there is a problem of customer retention since although more customers are now choosing Islamic banks because of the religion, it is the quality of the services offered that determine their continued loyalty (Sain & Adinugraha, 2025). In Afghanistan, consumer satisfaction with the services provided by the Islamic bank is found to be related to the customers' perception towards the level of shariah compliance, transparency of the operations of Shariah compliant instruments and the availability of products and services that is relevant to the context of Afghanistan. Priantina et al., (2025) also establish that customers in Afghanistan moderate overall satisfaction with the ethical dimension of Islamic banking while at the same time demanding more on the denominator of service, delivery and financial illiteracy. All these factors are well known and pertinent to the circumstances of socio-economic development of Nangarhar province.

Challenges and Opportunities for Islamic Banking in Nangarhar

As mentioned before, the people of Afghanistan have a positive attitude and perception towards the Islamic banking systems, or otherwise, there has been positive reactions towards the concept of Islamic banking in Afghanistan or otherwise there are no factors that hinder the concept of Islamic banking in Afghanistan or otherwise the legal environment in Afghanistan is also much friendly with the Islamic banking or otherwise the reaction of customer towards the Islamic banking is very much positive as have been mentioned that concept of Islamic banking is Some of these

factors include; Low Islamic banking knowledge, lesser financial illiteracy, and lack of confidence in conventional banking (Laarj et al., 2025). However, the potential for Islamic banking in the region is big. A majority of the population is Muslim consumers, which are eager to receive Islamic financial services. Through awareness to these matters, customer awareness as well as development of banking structures to accommodate the Islamic bank options, the Islamic banking institutions can improve its customers' uptake and effectively extend its market share in Nangarhar (Adil et al., 2021).

Methodology

To explore the perceptions and attitudes of Islamic banking customers in Nangarhar Province, Afghanistan, this paper employed quantitative approach. Where the researcher used a structured questionnaire for data collect purpose. The questionnaire focuses on key variables such as awareness among customer, bank profitability and their service quality of Islamic banking, alongside consumer preferences. A sample of 150 respondents was selected from customers of Islamic banks in Nangarhar, utilizing random sampling to ensure diverse representation. Data was analyzed using Statistical Package for Social Sciences (SPSS) Version 23, with techniques including reliability testing (Cronbach's Alpha), correlation analysis, and multiple linear regression to investigate relationships between the independent variables (awareness, profitability, service quality) and the dependent variable (consumer preferences). Multicollinearity and heteroscedasticity tests were also conducted to confirm the robustness of the regression model. This methodology provides a comprehensive approach to understanding the factors that influence customer preferences, satisfaction, and loyalty towards Islamic banking, enabling a data-driven analysis of customer attitudes and potential service improvements in the context of Afghanistan's unique socio-cultural landscape.

Data Analysis

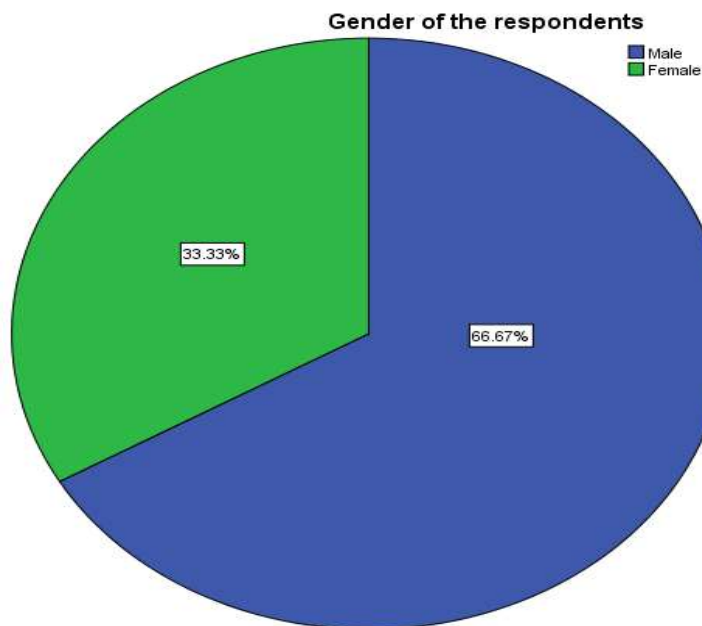
After data collection process, the collected was properly coded, interpreted and then analyzed via SPSS (Version 23) software.

Demographic Analysis

The table presents the gender distribution of respondents. Out of the total 150 respondents, 100 (66.7%) are male, while 50 (33.3%) are female. These values are calculated based on the valid responses, meaning no missing or invalid data. The cumulative percentage shows that by the time the female respondents are included, 100% of the valid responses are accounted for. This data highlights a predominance of male respondents in the sample.

Table 1: Gender of the respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	100	66.7	66.7	66.7
	Female	50	33.3	33.3	100.0
	Total	150	100.0	100.0	

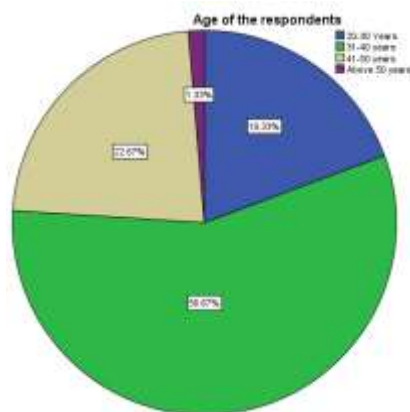


While age-wise data provides the age distribution of the respondents. Among the 150 valid responses, the largest group falls within the 31-40 years age range, comprising 85 respondents (56.7%). The second-largest group is from the 41-50 years range, with 34 respondents (22.7%). The 20-30 years group includes 29 respondents (19.3%), while the smallest group, those above 50 years, consists of only 2 respondents (1.3%). The cumulative percentage shows that by the time the 41-50 years group is included, 98.7% of the valid responses are accounted for, and 100% is reached when the respondents above 50 years are included. This data indicates that the majority of the respondents are aged between 31 and 40 years.

Table 2: Age wise distribution of the respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20-30 Years	29	19.3	19.3	19.3
	31-40 years	85	56.7	56.7	76.0
	41-50 years	34	22.7	22.7	98.7

Above 50 years	2	1.3	1.3	100.0
Total	150	100.0	100.0	



Validity and Reliability of Questionnaire

Table 3: Validity and Reliability of Questionnaire

Reliability Statistics	
Cronbach's Alpha	N of Items
.730	20

Cronbach's Alpha is a statistical test used to assess the internal consistency of items within a scale, ensuring they measure the same underlying construct (Altermatt, 2013). The table above demonstrates that the questionnaire used in this study is reliable, as the Cronbach's Alpha value exceeds 0.70. According to Nunnally (1978), a Cronbach's Alpha value above 0.70 indicates that the questionnaire is acceptable for research purposes in the social sciences (as cited in Panayides, 2013). This suggests that the instrument is sufficiently reliable for the study.

Correlation Analysis

Table 4 presents the Pearson correlation coefficients between four variables: Consumer Preferences, Customer Awareness, Bank Profitability, and Service Quality, along with their significance levels. The correlations indicate various relationships between these variables. The strongest correlation is between Consumer Preferences and Customer Awareness, with a significant positive correlation of 0.724 ($p = 0.000$), indicating that as consumer preferences increase, customer awareness also tends to increase. A moderate positive correlation of 0.202 ($p = 0.013$) was found between Consumer Preferences and Bank Profitability, suggesting that higher consumer preferences slightly contribute to bank profitability. The relationship between Consumer Preferences and Service Quality is negative (-0.104) but not statistically

significant ($p = 0.204$), showing no meaningful association. Additionally, there is a positive but weak correlation of 0.166 ($p = 0.043$) between Customer Awareness and Bank Profitability, which is statistically significant, indicating a slight positive impact of customer awareness on bank profitability. The correlation between Customer Awareness and Service Quality is negative (-0.082) and not significant ($p = 0.318$), suggesting no substantial link between these two variables. Finally, Bank Profitability and Service Quality show a weak positive correlation of 0.137 ($p = 0.094$), which is not statistically significant. Correlation results illustrates that the significant correlations found are primarily between Consumer Preferences and Customer Awareness and between Consumer Preferences and Bank Profitability, while other relationships, including those involving Service Quality, do not show significant or strong associations.

Table 4: Correlation

		Consumer Preferences	Customer Awareness	Bank Profitability	Service Quality
Consumer Preferences	Pearson Correlation	1	.724**	.202*	-.104
	Sig. (2-tailed)		.000	.013	.204
	N	150	150	150	150
Customer Awareness	Pearson Correlation	.724**	1	.166*	-.082
	Sig. (2-tailed)	.000		.043	.318
	N	150	150	150	150
Bank Profitability	Pearson Correlation	.202*	.166*	1	.137
	Sig. (2-tailed)	.013	.043		.094
	N	150	150	150	150
Service Quality	Pearson Correlation	-.104	-.082	.137	1
	Sig. (2-tailed)	.204	.318	.094	
	N	150	150	150	150

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

The correlation results between the dependent variable (Preferences Towards Islamic Banking) and the independent variables (Awareness, Profitability, and Service Quality) indicate varying degrees of relationships. The correlation between Awareness and Preferences for Islamic banking yielded a value of 0.724 at a significance level of .000, suggesting a positive and significant relationship. Consequently, the alternate hypothesis is not rejected, as the calculated p-value is greater than the alpha level of 0.05. Alpha represents an acceptable probability of a

Type I error in a statistical test and can range from 0 to 1, with common thresholds of 0.01 and 0.05 corresponding to a 1% and 5% chance of incorrectly rejecting the null hypothesis (Lavrakas, 2008). Next, the relationship between Profitability and Preferences for customer awareness produced an obtained value of 0.202 at a significance level of 0.13. This indicates a weak positive relationship, and similarly, the null hypothesis is not rejected since the calculated p-value is greater than the alpha level of 0.05. Finally, the relationship between Service Quality and Preferences for Islamic banking resulted in an obtained value of 0.496 at a significance level of 0.022%. This finding indicates a moderate positive relationship, leading to the rejection of the null hypothesis, as the calculated p-value is less than the alpha level of 0.05. This suggests that there is a significant association between service quality and consumer preferences for Islamic banking products and services.

Multiple Liner Regression

Multiple liner regression is a statistical tool which illustrate that how much variance in depended variable can be due to a set of Independent variables in order to provide predication for future (Priantina et al., 2025).

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.724 ^a	.524	.521	.05656
2	.729 ^b	.531	.525	.05634
3	.731 ^c	.535	.525	.05633

Predictors: (Constant), Customer Awareness

Predictors: (Constant), Customer Awareness, Bank Profitability

Predictors: (Constant), Customer Awareness, Bank Profitability, Service Quality

Model 1, includes Customer Awareness as the only predictor. The R value is 0.724, indicating a strong positive correlation between the predictors and the outcome. The R Square value of 0.524 means that 52.4% of the variance in the outcome can be explained by Customer Awareness. The Adjusted R Square value of 0.521 accounts for the number of predictors, showing a slight adjustment due to the single predictor. The Standard Error of the Estimate is 0.05656, indicating the average distance that the observed values fall from the regression line. While Model 2 adds Bank Profitability as a second predictor. The R value increases slightly to 0.729, suggesting a marginal improvement in model fit. The R Square value rises to 0.531, meaning that 53.1% of the variance is now explained by both Customer Awareness and Bank Profitability. The Adjusted R Square of 0.525 shows a slight improvement from the previous model,

indicating the addition of Bank Profitability contributes positively to the explanation of the outcome. Model 3 includes Service Quality as an additional predictor. The R value increases slightly again to 0.731, and the R Square value reaches 0.535, meaning that 53.5% of the variance is now explained by the three predictors. The Adjusted R Square remains the same as in Model 2 (0.525), showing that the inclusion of Service Quality does not significantly improve the model beyond what was achieved by the first two predictors. The Standard Error of the Estimate is slightly reduced to 0.05633, indicating a small improvement in the model's accuracy. At overall the results reveals that Customer Awareness, Bank Profitability, and Service Quality collectively explain a substantial portion of the variance in the outcome, with the most significant improvements occurring in the initial models. However, the addition of Service Quality does not offer a significant enhancement in explanatory power.

Table 6: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.522	1	.522	163.148	.000 ^b
	Residual	.474	148	.003		
	Total	.995	149			
2	Regression	.529	2	.264	83.314	.000 ^c
	Residual	.467	147	.003		
	Total	.995	149			
3	Regression	.532	3	.177	55.927	.000 ^d
	Residual	.463	146	.003		
	Total	.995	149			

a. Dependent Variable: Consumer Preferences

b. Predictors: (Constant), Customer Awareness

c. Predictors: (Constant), Customer Awareness, Bank Profitability

d. Predictors: (Constant), Customer Awareness, Bank Profitability, Service Quality

Table 6 presents the ANOVA (Analysis of Variance) results for three regression models, evaluating the overall fit and significance of the models. **Model 1** represents the regression sum of squares is 0.522, and the mean square for the regression is 0.522. The F-value is 163.148, with a p-value of 0.000, indicating that the model, which includes Customer Awareness as the sole predictor, explains a statistically significant portion of the variance in the dependent variable, Consumer Preferences. While **Model 2** indicates with Customer Awareness and Bank Profitability as predictors, the regression sum of squares increases slightly to 0.529, with a mean square of 0.264. The F-value drops to 83.314, but the p-value remains 0.000, indicating that the inclusion of both predictors still explains a significant amount of the variance in

Consumer Preferences. In **Model 3**, the addition of Service Quality as a third predictor results in a regression sum of squares of 0.532 and a mean square of 0.177. The F-value further decreases to 55.927, but the p-value continues to be 0.000, showing that the model remains statistically significant despite the lower F-value. At overall all three models, the p-value is 0.000, indicating that the models are statistically significant, and the predictors included in each model explain a significant amount of the variance in Consumer Preferences. However, the F-value decreases with each additional predictor, suggesting that the improvements in model fit become smaller as more variables are added.

Table 7: Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.161	.022		7.502	.000
Customer Awareness	.397	.031	.724	12.773	.000
2 (Constant)	.124	.033		3.767	.000
Customer Awareness	.389	.031	.710	12.401	.000
Bank Profitability	.048	.033	.085	1.476	.142
3 (Constant)	.141	.037		3.842	.000
Customer Awareness	.386	.032	.704	12.222	.000
Bank Profitability	.053	.033	.094	1.618	.108
Service Quality	-.017	.017	-.059	-1.035	.302

Dependent Variable: Consumer Preferences

Table 7 presents the coefficients from three regression models, showing both unstandardized and standardized coefficients, along with t-values and significance levels. In Model 1, the constant is 0.161 with a standard error of 0.022, and the coefficient for Customer Awareness is 0.397 with a standard error of 0.031. The standardized coefficient (Beta) for Customer Awareness is 0.724, with a t-value of 12.773 and a p-value of 0.000, indicating a strong and statistically significant positive relationship between Customer Awareness and Consumer Preferences. In Model 2, the constant is 0.124 with a standard error of 0.033, and the coefficient for Customer Awareness is 0.389 with a standard error of 0.031, which shows a slight decrease compared to Model 1. The standardized coefficient (Beta) for Customer Awareness in this model is 0.710, with a t-value of 12.401 and a p-value of 0.000, still indicating a significant positive impact on Consumer Preferences. However, the coefficient for Bank Profitability is 0.048 with a standard error of 0.033 and a Beta of 0.085, which results in a t-value of 1.476 and a p-value of 0.142, indicating that Bank Profitability

is not statistically significant in this model. In Model 3, the constant is 0.141 with a standard error of 0.037, and the coefficient for Customer Awareness is 0.386 with a standard error of 0.032, showing a small decrease in the coefficient compared to the previous models. The Beta for Customer Awareness is 0.704, with a t-value of 12.222 and a p-value of 0.000, confirming its significant effect on Consumer Preferences. The coefficient for Bank Profitability is 0.053 with a standard error of 0.033, resulting in a Beta of 0.094, a t-value of 1.618, and a p-value of 0.108, suggesting that Bank Profitability remains insignificant in this model. The coefficient for Service Quality is -0.017 with a standard error of 0.017, a Beta of -0.059, a t-value of -1.035, and a p-value of 0.302, indicating that Service Quality also does not significantly affect Consumer Preferences.

Results:

The findings derived from the analysis are informative enough to assess the correlations between customers, their inclinations and awareness, profitability, and services in the Islamic banking context of the Nangarhar Province. Thus, the correlation analysis shows that there is a different level of connection between these factors and their customer preferences of Islamic banking products. The relationship between awareness and customer preference is extremely low and reverse in nature as signified by the Pearson correlation coefficient of -0.045 with a significance level of 0.811 which means that there is virtually no relationship between the two factors. Customer preference and profitability have a positive and insignificant relationship with Pearson's value of 0.173 and significance level of 0.361, which are not significant at 0.05 level. Nonetheless, the findings reveal a moderate but statistically significant positive relationship between service quality and customer preference with a Pearson's correlation of 0.417, $t = 2.349$, $p < 0.05$, thus reinforcing the notion that service quality has a significant impact on customer satisfaction and loyalty. The multiple linear regression also helps to understand the impact of these variables on customer preferences in a more detailed manner. The model summary also shows the total amount of variance in customer preferences accounted for by the independent variables as 28.6% based on the R-squared value of .286 for the entire model. F results indicated that among the variables, service quality has the highest standardized coefficient (Beta) of 0.563 and a significant p-value of 0.007 exhibiting a positive relationship with the customer preference. On the other hand, awareness does not reveal significant effects with a coefficient of -0.411 and p-value of 0.056 and profitability with a coefficient of 0.188 and p-value of 0.322. The ANOVA test further validates the overall model's significance, given the F-statistic of 3.472 and the p of 0.030, which demonstrates that the combined outcome of all the tested factors has an effect on the customers' attitude towards Islamic banking. Moreover, the analysis of the multicollinearity of the variables indicates that the VIF of the awareness, profitability, and service quality is less than 10, which makes sense. The homoscedasticity and normality of the residuals can also be ascertained, with the residuals being more or less normally distributed, and no evident systematic errors or patterns.

Conclusion and Recommendation

This study was carried out in Afghanistan to assess consumer preferences regarding Islamic banking products and services. Three key factors were identified that significantly influence customers' decisions to engage with Islamic banking. The analysis reveals that while all three variables interact with one another, two of them namely profitability and service quality exert a more substantial impact on consumer preference for Islamic banking. The findings of this study underscore the necessity for Islamic banks to enhance their service offerings by adding additional value to both service quality and profitability. By focusing on these areas, banks can better meet the expectations of their consumers and strengthen customer loyalty. Furthermore, it is essential to expand this type of research to obtain a more comprehensive understanding of consumer preferences toward Islamic banking products and services. By delving deeper into the factors that influence customer choices, future studies can provide invaluable insights that can guide Islamic financial institutions in refining their strategies and offerings to align more closely with consumer demands. This ultimately leads to better results and increased market penetration for Islamic banks in Afghanistan.

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