



## Factors Affecting investment Decision in banking sector of Pakistan: Analysis of Islamic and conventional Banks

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**Abstract.** In this research, the factors that affect individual investor when he/she invests in banking sector of Pakistan have been focused. Six independent variables i.e. Psychology, rate of return, religion, culture, customer perception and one dependent variable that is investment decision making were observed. The data was obtained through survey method from customers and from the financial officers of conventional and Islamic banking sectors of Pakistan. Descriptive analysis was conducted to get empirical analysis results in summary along-with numerical representation. Cronbach Alpha was applied for the reliability analysis of the survey design. Hypotheses testing was also conducted and resulted that multiple factors do effect on the investment decision making except culture and customer perception as they had insignificant effect on investment decision making. Although seven top banks of Pakistan were selected with a bunch of tested important variables. However, its quantity may be enriched to substantiate and improve the findings.

**Keywords:** Psychology, Rate of interest, Culture, Religion, Customer Perception, Investment, Islamic and Conventional Banking

**JEL Classifications:** G24

### 1. Introduction

*"You could carve out the inside of a brick and hide your money in it for safe keeping. It's certainly safer than keeping it in the bank!" Nicole McKay (June, 2012)*

Investment means spending of money in different financial assets or institutions for uncertain future reward in return and considers risk as well in this process (Alagu, 2013). There are three types of investors like conservative, moderate and aggressive (Kavita, 2015). Traditional financial theory discuss people take decision rationally, but in the same time some people also do irrational decision as well that affect their future (Velmurugan, 2015).

In traditional way investors prefer to invest in Bank accounts, in Gold, silver, mutual funds, post office, insurance companies, and in alternative way in stock market, derivatives, portfolio etc. Parimaluckanthi (2015) equity market is public market for sale trading or purchases of shares (Renuka, 2016). An investor who does not want to take risk of their capital they prefer to invest in banking sector because banking offering reasonable rate of return with less risk. Rizwan (2015) Islamic banks offering to their investors Saving account in which participation of both bank and investors they share its profit and loss with fluctuations of its investment rate that don't remain same (Mona Esam Fayed, 2013). In Pakistan the Investors' decision making is based on their risk taking attitude and their studies about stock performance, market conditions (M. Yasir, 2014).



## 1.2. Objectives of the study

In this study, it is to investigate the effects of different factors that affect investment decision in Islamic and conventional banking sectors of Pakistan. Specifically, this study aims to:

1. Determine basic driving forces of investment in Islamic and conventional banks.
2. To check the factors that effect on an individual for making an investment and what the individual requires.
3. Through this study the purpose is to check the perception of customers regarding their choice for investment in Islamic and conventional banking sectors
4. And why an individual feels uncomfortable during their decision making

## 2. Literature Review

Bakar (2016) investigated “the impact of Psychological factors on investment decision making in Malaysian stock market: A case of Klang Valley and Pahang”. The geographical area of research was Malaysia. And the independent variables of this research Bakar used were overconfidence, conservatism, herding attitude and availability bias and the dependent variable was decision making. In the Methodology his research was primary and he collected data through questionnaires. The population of the research was Malaysian stock market and the sample size was 200 respondents with profession Bank officers, executives, lecturers, students of finance who involved in Malaysian stock market. Snow ball and quota sampling used in this research and multiple regression analysis used with the help of SPSS and IBM soft wares. the conclusion is individual investor psychological factor play important role in their investment decision making according to this research there were four factors that included in psychology like overconfidence, conservatism, herding attitude and availability bias affected the investor during their decision making overconfidence and availability bias had positive impacts on decision making and others like conservatism had negative impact, herding attitude had no impact in investor’s decision making process.

Meutia (2016) investigated “empirical research on rate of return, interest rate and Mudarbah deposit”. The geographical area was Indonesia. The data range in this study is from 2012 to 2015. The variables Meutia used in his research were interest rate, profit loss sharing, Mudarbah deposit and rate of return and the dependent variable was decision making. In methodology its secondary type research and the data collected from Indonesia monthly statistical bulletin from 2012 to 2015 and regression analysis applied on data with Levine’s test. Its descriptive statistics applied with SPSS software. In conclusion find out the how interest rate and rate of return influence on Mudarbah deposit of the Islamic banks of Indonesia so after regression analysis the results was the insignificant impact of rate on return on Islamic bank deposit and interest rate also has insignificant impact on deposit in banks.

Zakiah (2016) investigated “behavioral determinants and their impacts on customers saving deposits in Islamic banks”. The geographical location of this research was Malaysia. And the data range was used from 8 April 2016 to 24 April 2016. The variables were used in these research demographical factors, religious obligation, reputation, profit and investment and the dependent variable was decision making. In the methodology the population was bank customer of all Islamic banks and the sample size was 530 banking customer that were different on the base of their ages, material status and income etc. and research conducted with survey method through online questionnaires and t-test applied for analysis and one way ANOVA, multiple regression and correlation analysis with the help of SPSS software. In conclusion we checked the Islamic ethical behavior of customers with different factors like demographic factors, the reputation of the bank, as Muslim religious obligations that are positively affected during decision making process of investors to deposit in Islamic bank because it gives confidence that banking is according to Shariah.



Abdussalam (2014) examined “the influence of culture and religion on trust in the emerging financial market in Libya”. The geographical location is Libya and the data range was interviews from 12:0 to 15:0 and it’s for 1H and 2.5H duration for interview. And the independent variables of this study were culture, religion and trust and the dependent variable was decision making. In methodology that was primary research used through interviews. The population of this study was Libya stock exchange and the sample size was 16 respondent 11 officers and 6 brokers and thematic analysis applied on this research data with pre structural statements. In conclusion there is relation between culture and religion in Libya culture is uncertain they are willing to take risk for making profit, but in Libya stock market we can see religion affect negatively on stock market for this solution Islamic finance started to overcome this issue and complete the market, trust was for the investors to trust on products that were according to their requirement and in the last culture and religion were basic for investors in their decision making of their investments.

Faruq (2014) investigated “perception of bankers and customers toward deposit and investment mechanism of Islamic and conventional banking: Empirical evidence from Bangladesh”. The research area was Bangladesh and the variables Faruq used in his study were profit in Islamic banks, interest rate in conventional banks, return and security and the dependent variable was decision making. In methodology Faruq research was primary nature in which data collected from questionnaires’ and the population was 4 Islamic and 4 conventional banks and the sample size was 200 customers and 200 bankers and information collected through audio interview and questionnaires and non-probability sampling technique used and with the help of confirmatory factor analysis and equation model used in this research. In the conclusion customers of both Islamic and conventional both are confused about Islamic and conventional banks product and people have not proper knowledge about what is difference between both banking and regulations.

### 3. Methodology

**3.1: Nature of study:** This research deals with primary nature of data and the survey will conduct to identify the factors that affect investors during their investment decision making in both banking sector of Pakistan. And type of research includes quantities with questionnaires. Data had been collected from different Islamic and conventional Banks of Pakistan.

**3.2: Population & Sample size:** The population of this study is 5 Conventional banks and two Islamic banks. The names of the selected banks are Habib Bank limited, MCB limited, UBL limited, Bank Al-Habib, Bank of Punjab, Meezan bank limited and Dubai Islamic bank.

From the population of the study, 301 samples of banking customers and 397 samples of bankers who work as financial officers for this study had been obtained. The total samples are 698.

**3.3: Unit of Analysis:** All Islamic and conventional banking sectors’ customers were respondent in this research who invested in banking sectors such as businessmen, private and Govt. job holders, students, professionals, housewives, Muslims and non- Muslims customers.

**3.4: Model:** Two regression models have been prepared to test the impact of independent variables on dependent variable in Islamic and conventional banks. The models have been derived from the previously used models by different researchers.

$$\hat{Y} = a + b_1 X_1 + K + b_p X_p$$

Y (Decision making in Islamic Banks) =  $a + b_1(\text{religion}) + b_2(\text{culture}) + b_3(\text{ROR}) + b_4(\text{psychology}) + b_5(\text{Customer perception}) + e$

Y (Decision making in Conventional Banks) =  $a + b_1(\text{religion}) + b_2(\text{culture}) + b_3(\text{ROR}) + b_4(\text{psychology}) + b_5(\text{Customer perception}) + e$



### 3.5: Hypothesis:

H1= There is significant effect of return on investment on decision making of investment in conventional banks

H2= There is significant effect of religion on decision making of investment in conventional banks.

H3= There is significant effect of culture making of investment in conventional banks.

H4= There is significant effect of customer perception on decision making of investment in conventional banks

H5= There is significant effect of psychological basis on decision making of investment in conventional banks

H6= There is significant effect of return on investment on decision making of investment in Islamic banks

H7= There is significant effect of religion on decision making of investment in Islamic banks.

H8= There is significant effect of culture making of investment in Islamic banks.

H9= There is significant effect of customer perception on decision making of investment in Islamic banks

H10= There is significant effect of psychological basis on decision making of investment In Islamic banks

H11= There is significant effect of all independent variables on investment decision making conventional banks

H12= There is significant effect of all independent variables investment decision making in Islamic banks

### 3.6: Variables:

Dependent variable in Islamic and conventional banks:

- Investment Decision making

Independent variables in Conventional & Islamic banks:

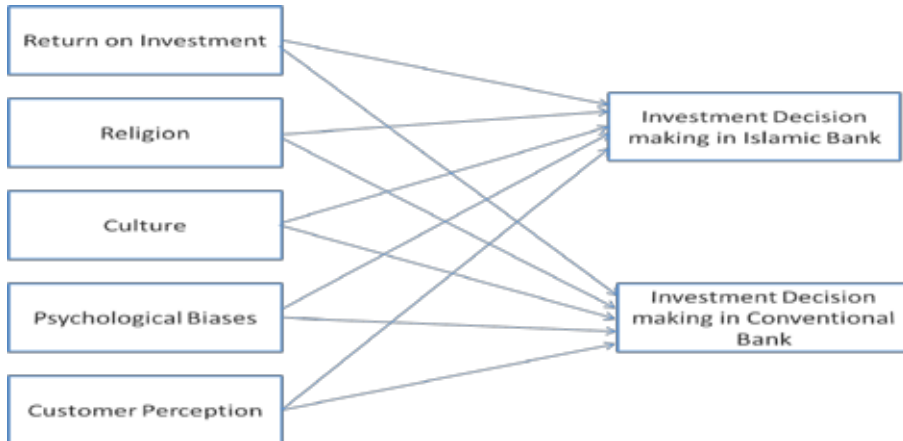
- Psychology
- Religion
- Rate of Return
- Customer Perception
- Culture

### 3.7: Theoretical framework:

Kahneman and Tversky (1979) proposed **prospect theory**, according to their theory how an investor take decision and explained investors' behavior and psychological factor. Kahneman and Tversky (1979) discussed in their **expectation theory** about investors' behaviors who take irrational decision because investors consider only gain in all levels but do not perceive and expect risk factor.



**3.8: Conceptual framework:**



**Figure 3.1 Islamic and conventional banks conceptual framework**

**3.9: Software:**

The SPSS software was used for testing.

**3.10: Tests:**

The data was analyzed through Cronbach’s alpha test, multiple regressions, Correlation, Descriptive analysis, Multi-Collinearity Test.

**4. Analysis and Results**

**Table 4.1 Descriptive Analysis**

	Mean	Std. Error of Mean	Std. Deviation	Variance
Decision Making	4.8921	0.10153	2.68243	7.195
Psychology	4.3897	0.09495	2.50846	6.292
Culture	4.9427	0.10214	2.69838	7.281
Religion	5.1485	0.10636	2.81012	7.897
Rate of Return	4.6313	0.09225	2.43716	5.94
Customer Perception	4.8591	0.12978	3.42877	11.756



There are the measures of dispersion and mention in bottom side of box like In case of Decision making we can see mean value of decision making variable's value is 4.8921, the median is 5.0000 and the mode value is 6.00. There are the measures of dispersion and mention in bottom side of box like in case of decision making variables its standard deviation is 2.6824, the variance is 7.195, the range is 27.00. And at the end the maximum value is 28.00, minimum value is 1.00

In case of psychology we can see mean value of psychology is 4.3897, the median is 5.0000 and the mode value is 6.00. There are the measures of dispersion and mention in bottom side of box like standard deviation is 2.50846, the variance is 6.292, the range is 24.00. And at the end the maximum value is 25.00, minimum value is 1.00.

In case of culture we can see mean value of culture variable's value is 4.9427, the median is 6.0000 and the mode value is 7.00. There are the measures of dispersion and mention in bottom side of box like in case of culture variables its standard deviation is 2.69838, the variance is 7.281, the range is 25.00

And at the end the maximum value is 26.00, minimum value is 1.00. In case of religion we can see mean value of religion variable's value is 5.1485, the median is 6.0000 and the mode value is 6.00. There are the measures of dispersion and mention in bottom side of box like in case of religion variables its standard deviation is 2.81012, the variance is 7.897, the range is 12.00. And at the end the maximum value is 13.00, minimum value is 1.00.

In case of Rate of return we can see mean value of rate of return variable's value is 4.6313, the median is 4.0000 and the mode value is 6.00. There are the measures of dispersion and mention in bottom side of box like in case of rate of return variables its standard deviation is 2.43716, the variance is 5.940, the range is 11.33. And at the end the maximum value is 12.33, minimum value is 1.00.

In case of customer perception we can see mean value of customer perception variable's value is 4.8591, the median is 4.000 and the mode value is 3.00. There are the measures of dispersion and mention in bottom side of box like in case of customer perception variables its standard deviation is 3.42877, the variance is 11.756, the range is 14.00. And at the end the maximum value is 15.00, minimum value is 1.00.

#### 4.2-Reliability of the Questionnaires from both customers & bank officers (Islamic banks)

Table - 4.2-A

Variables	CronBach Alpha
Psychology	.584
Culture	.455
Religion	.601
Rate of Return	.340
Customer Perception	.931
Overall value	.742

Cronbach's Alpha shows the reliability of the questionnaire. So that's why the reliability of the questionnaire is tested using Cronbach's Alpha and it is .584 for Psychology, .455 for Culture, .601 for Religion, .340 for Rate of return and .931 for Customer perception. The reliability for Religion is the



highest while for Rate of return it is lowest of them all.

**4.3-A Regression Analysis (Islamic banks)**

**Table - 4.3-A**

Model	R	R Square	Adjusted R Square
1	.455	.207	.191

In case of Islamic banks, here in this model multiple regression analysis was conducted. This model is also significant and having  $p < .000$ . The value of R2 is .207 and the value of adjusted R2 is .191 which means that the 19.1% variation in the dependent variable can be explained by this model. R2 is useful for giving some prediction about the model. And the adjusted R2 provides a better estimation about the true population value

**4.4. A: Multi-Collinearity Analysis (Islamic Banks)**

**Table – 4.4-A**

Variables	Collinearity statistics	
	Tolerance	VIF
Psychology	.797	1.255
Culture	.706	1.417
Religion	.845	1.183
Rate Of Return	.757	1.321
Customer Perception	.768	1.301

In order to test whether multi-Collinearity exists or not, tests had been applied as well. Multi-Collinearity is the correlation among the independent variables, so that is why it is tested on the eleventh and twelfth hypotheses. And for the data to be reliable, it must be free from the multi-Collinearity. In order to check multi-Collinearity, VIF (Variable Influence Factor) and Tolerance level is checked. As per standards, if the value of VIF is greater than 10 then that means multi-Collinearity exists among variables. And if the value of Tolerance is less than .10 then that means multi-Collinearity exists among the variables. In our research results, the value of VIF of Psychology is .797, and the tolerance value is 1.255. Both values are well within the acceptable range which means that multi-Collinearity does not exist in psychology. Same is the case with the Culture VIF value is .706 and Tolerance is 1.417. In case of Religion VIF value is .845 and Tolerance value is 1.183. In the case with the Rate of return VIF value is .757 and Tolerance is 1.321 and in the case with the Customer perception VIF value is .768 and Tolerance is 1.301. So based on the results, it is concluded that multi-Collinearity is not present in the selected independent variables.

**4.5-A- Auto-correlation Analysis (Islamic Banks)**

**Table – 4.5-A**

Durbin Watson
1.771



The value of Durbin Watson is 1.771 which means that auto-correlation does not exist in our data. Our results are free from auto-correlation.

#### 4.6-A-Correlation Analysis (Islamic Banks)

Table - 4.6-A

Variables	Karl Pearson's Correlation	(Significance (2-tailed
Psychology	.390**	0.00
Culture	.328**	0.00
Religion	.242**	0.00
Rate of Return	.138**	0.28
Customer Perception	.160**	0.11

When correlation is seen in case of Islamic banks then the above given table shows that independent variables are having correlation with the decision making in the banking sector. From the above table it is proved that all the independent variables are having positive correlation with the dependent variable. Rate of return is having normal correlation with investment decision making ( $r = .138$ ). While Psychology is having a strong correlation with the investment decision making ( $r = .390$ ). As far as the Religion is concerned, it is also having positive correlation with the dependent variable as well ( $r = .242$ ). Culture also has strong correlation with investment decision making. And customer perception also has normal correlation with investment decision making ( $r = .160$ ).

#### Conventional banks

#### 4.2.B-Reliability of the Questionnaires from both customers & bank officer (Conventional banks)

Table - 4.2.b

Variables	Cronbach's Alpha
Psychology	.396
Culture	.383
Religion	.421
Rate of Return	.421
Customer Perception	.875
overall value of variables	.719

Cronbach's Alpha shows the reliability of the questionnaire. So that's why the reliability of the questionnaire is tested using Cronbach's Alpha and it is .396 for Psychology, .383 for Culture, .421 for





Religion, .421 for Rate of return and .875 for Customer perception. The reliability for Customer perception, Rate of return and religion is the highest while for Psychology and culture it is lowest of them all.

#### 4.3.B- Regression Analysis (Conventional banks)

Table - 4.3-B

Model	R	R Square	Adjusted R Square
1	.406	.165	.155

In case of Conventional banks, here in this model multiple regression analysis was conducted. This model is also significant and having  $p < .000$ . The value of R2 is .165 and the value of adjusted R2 is .155 which means that the 15.5% variation in the dependent variable can be explained by this model. R2 is useful for giving some prediction about the model. And the adjusted R2 provides a better estimation about the true population value

#### 4.4. B Multi-Collinearity Analysis (Conventional Banks)

Table – 4.4-B

	Collinearity statistics	
	Tolerance	VIF
Psychology	.833	1.199
Culture	.863	1.159
Religion	.939	1.065
Rate Of Return	.740	1.351
Customer Perception	.776	1.288

In order to test whether multi-Collinearity exists or not, tests had been applied as well. Multi-Collinearity is the correlation among the independent variables, so that is why it is tested on the eleventh and twelfth hypotheses. And for the data to be reliable, it must be free from the multi-Collinearity. In order to check multi-Collinearity, VIF (Variable Influence Factor) and Tolerance level is checked. As per standards, if the value of VIF is greater than 10 then that means multi-Collinearity exists among variables. And if the value of Tolerance is less than .10 then that means multi-Collinearity exists among the variables. In our research results, the value of VIF of Psychology is .833, and the tolerance value is .833. Both values are well within the acceptable range which means that multi-Collinearity does not exist in Psychology. Same is the case with the Culture VIF value is .863 and Tolerance is 1.159. In case of Religion VIF value is .939 and Tolerance value is 1.065. In the case with the Rate of return VIF value is .740 and Tolerance is 1.351 and in the case with the Customer perception VIF value is .776 and



Tolerance is 1.288. So based on the results, it is concluded that multi-Collinearity is not present in the selected independent variables.

#### 4.5-B Auto-correlation Analysis (Conventional Banks)

Table - 4.5B

Durbin Watson
1.894

The value of Durbin Watson is 1.894. According to the standards, the value of the Durbin Watson should range from 1.5 to 2.5. In this case, the value is 1.840 which reflects that no auto-correlation exists in data, which means that this model is free from auto-correlation.

#### 4.6-B -Correlation Analysis (Conventional Banks)

Table - 4.6-B

Variables	Karl Pearson's Correlation (Employee Performance)	Significance (2-tailed)
Psychology	.261**	0.00
Culture	.169**	0.00
Religion	.177**	0.00
Rate of Return	.328**	0.00
Customer Perception	.232**	0.00

In case of correlation analysis in Conventional banks the above given table shows that independent variables are having correlation with the decision making in the banking sector. From the above table it is proved that all the independent variables are having positive correlation with the dependent variable. Culture is having normal correlation with investment decision making ( $r = .169^{**}$ ). While Rate of return is having a strong normal correlation with the investment decision making ( $r = .328$ ). As far as the customer perception is concerned, it is also having positive correlation with the dependent variable as well ( $r = .232$ ). Psychology also has strong correlation with investment decision making ( $r = .261$ ). And Religion also has normal correlation with investment decision making ( $r = .177$ ).

#### 4.7: Bank Officers and Bank Customers combine Data Analysis

##### Demographic data and Distribution of Participant:

##### Bank Names

The data shows the percentage of respondent of the bankers who took part in the fulfillment of questionnaires .13.90% of the total questionnaires filled by HBL financial officer. MCB financial officers filled 12.32% of the total questionnaires. 12.46% questionnaires are filled by Bank AL Habib financial officers. 13.04% questionnaires filled by BOP financial officers. 12.32% questionnaires filled by UBL and then Dubai Islamic Bank's officers filled 12.89% of the total questionnaires and at the last



Meezan bank Limited financial officers filled **23.07%** of the total questionnaires which is highest of them all.

**Gender description**

In the study the data was collected from samples. The samples that provided their gender information are **74.07%** males and **25.93%** females

**Marital Status Description**

According to statistics 183 were married representing **63.04%** of the total samples were unmarried representing **36.82%** of response and only one who is widow that show **0.14%** in overall questionnaires.

**Educational Status Description**

According to bank financial officers **30.23%** officers are graduated. **56.86%** officers who filled questionnaires are masters. **.145%** doing MPhil, **5%** did metric, **5.30%** did intermediate.

**Work Experience Description**

From samples representing **49%** response rate have experience ranging from 1-5 and most of them having 2 and 3 years' experience. And **21.78%** responses have 6-10 years' experience. And **8.31%** responses have 11-15 years' experience. And **5.30%** have 16-20 years' experience. 19 and **4.44%** have 21-25 years' experience. And **3.58%** have 26-30 years' experience and only 1 and 6.2% have above than 30 years' experience

**Table- 4.8- A**

Hypothesis statements	Accepted	Rejected
H1= There is significant effect of return on investment on decision making of investment in conventional banks	✓	
H2= There is significant effect of religion on decision making of investment in conventional banks.	✓	
H3= There is significant effect of culture making of investment in conventional banks.		✓
H4= There is significant effect of customer perception on decision making of investment in conventional banks	✓	
H5= There is significant effect of psychological basis on decision making of investment in conventional banks	✓	
H6= There is significant effect of return on investment on decision making of investment in Islamic banks		✓
H7= There is significant effect of religion on decision making of investment in Islamic banks.	✓	
H8= There is significant effect of culture making of investment in Islamic banks.		✓
H9= There is significant effect of customer perception on decision making of investment in Islamic banks	✓	
H10= There is significant effect of psychological basis on decision making of investment In Islamic banks	✓	



H11= There is significant effect of all independent variables on investment decision making conventional banks		✓
H12= There is significant effect of all independent variables investment decision making in Islamic banks	✓	

Table No-4.9- A (Conventional Bank) Paired sample difference statistics table

Decision Making	Mean	Std. Deviation	Std. Error Mean	CI 95% Lower	CI 95% Upper	t	df	.Sig (2-tailed)
Psychology	.21076	.92674	04388.	.12452	.29700	4.803	445	.000
Culture	-.10389	1.03445	04898.	-.20015	-.00762	-2.121	445	.034
Rate of return	.12780	.95248	04510.	.03916	.21644	2.834	445	.005
Religion	-.26158	1.09651	05192.	-.36363	-.15954	-5.038	445	.000
Customer perception	.33632	1.18816	05626.	.22575	.44689	5.978	445	.000
All independent variables	-.08670	.97431	.04613	-.17737	00397.	-1.879	445	.061

In case of conventional banks the Psychology null hypothesis is rejected and alternative hypothesis is accepted. Bakar (2016) sought to identify that psychology has significant effect on investment decision making.

In case of culture we can say null hypothesis is accepted. And alternative hypothesis is rejected. Diouf (2016) investigated in his work that only Demographic factors effect on investment decision making and he concluded in his research that investment decision making and social factors have insignificant relation.

In case of Religion null hypothesis is rejected. And alternative hypothesis is accepted

In case of rate of return null hypothesis is rejected. And alternative hypothesis is accepted. Hamza (2015) investigated in his work that rate of return and investment decision making has significant relationship.

In this case of customer perception null hypothesis is rejected. And alternative hypothesis is accepted.

In case of all independent variables impact on investment decision making the null hypothesis is accepted and alternative hypothesis is rejected

Table No-4.9- B (Islamic Banks) Paired sample difference statistics table

Decision Making	Mean	Std. Deviation	Std. Error Mean	CI 95% Lower	CI 95% Upper	t	df	.Sig (2-tailed)
Psychology	.45020	1.22477	.07731	.29794	.60246	5.824	250	.000
Culture	.11023	1.25141	.07899	-.04534	.26579	1.395	250	.164
Rate of return	-.14343	1.54453	.09749	-.33543	.04858	-1.471	250	.142
Religion	26959.	1.44635	09129.	08979.	44939.	2.953	250	003.



<b>Customer perception</b>	-1.72244	3.02500	.19094	-2.09849	-1.34639	-9.021	250	.000
<b>All-independent variables</b>	-2.21116	3.72572	.23517	-2.67431	-1.74800	-9.403	250	.000

In case of Islamic banks the Psychology null hypothesis is rejected and alternative hypothesis is accepted. Bakar (2016) sought to identify that psychology has significant effect on investment decision making.

In case of culture we can say null hypothesis is accepted. And alternative hypothesis is rejected. Diouf (2016) investigated in his work that only Demographic factors effect on investment decision making and he concluded in his research that investment decision making and social factors have insignificant relation.

In case of Religion null hypothesis is rejected. And alternative hypothesis is accepted.

In case of rate of return null hypothesis is accepted. And alternative hypothesis is rejected.

In this case of customer perception null hypothesis is rejected. And alternative hypothesis is accepted.

In case of all independent variables impact on investment decision making the null hypothesis is rejected and alternative hypothesis is accepted.

### 5. Conclusion

An individual investor partakes in savings for future concerns after the fulfillment of the basic needs. In the banking sector, an individual investor trusts on banks that their savings are secure. But different factors affect the decision making of the investor.

In the research the top five conventional banks were selected while only 2 Islamic banks were selected for the research study. The reason for selecting the 02 Islamic banks are that the Islamic banking system is a growing sector in which almost all the conventional banks are entered but they are still not fully reformed and it will take time for them to operate fully according to the Islamic Sharia rules. The 02 banks that are wholly equipped with these are selected. In this research, six independent variables such as Psychology, Rate of return, religion, culture and customer perception were taken as important factors. To pursue the results, multiple regression analysis, correlation analysis and descriptive analysis were applied in SPSS software. It was observed that in case of Islamic banks the significant relationship exists among Psychology, religion, customer perception and all variables impact on investment decision making. And insignificant relationships exist among culture and rate of return with investment decision making. But in case of Conventional banks there is significant relationship among rate of return, psychology, religion, and customer perception with investment decision making. And insignificant relationship exists among Culture and all variables impact with investment decision making. It can be said that overall survey of this research study concludes that most of the variables have significant relationship with the investment decision making that is the dependent variable.

Usually the customers are confused in the decision making towards the Islamic banks or Conventional banks. The religion is the important variables that are the cause of this confusion among the individuals. Another important thing that was observed during this research study was that the banks have offered a variety of investment products for the customers that create hype in the individuals in their selection.



The world has changed a lot thanks to the globalization. Where it made positive changes, it also affected the world in a negative way as well. In this study, it was also observed that in the past when people were less aware of their rights, reality and less informed about the global and local practices of banks in investment areas but now the trend has changed. Now people are more aware, they do compare and research before taking any investment policy.

### 5.1 Policy Implications

This study will directly affect the planning and decision making of all the Banks. It will provide a framework for banks, so they can design such saving or investment plans for their customers that can satisfy or attract their customers towards their investment plans that will increase their business.

This can provide investors all the available information and they can make rational investment decision. This study is not only for Banks but will also be helpful for regulatory authorities and exchange may also use the results to create awareness by educating investors about the importance of behavioral factors and firm level corporate Governance. Additionally it may help to increase investors' confidence.

The findings of this study are beneficial for the financial professional and investment advisors. It can support Islamic and conventional banking managers to concentrate on their bank products and policies that will help them for future planning. Eventually, they can make drastic improvement in their organizations.

### 5.2 Limitations and Recommendations

- In current research, we examined only six basic and most important factors but in the future researchers may increase/add other important variables that may enhance the viability as well.
- Only top seven banks' financial officers and customers' opinion have been included although researchers may increase the quantity of the banks as well.
- This research work does not cover the whole population of Pakistan but it might be amplified as well.
- SPSS (Statistical Package for Social Sciences) software has been used. However, new improved software might be used such as AMOS software which is the advanced form of SPSS in research arena.

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#### **Appendices/Supplementary:**

##### **1: Survey Questionnaires on Factors Affecting investment Decision in Banking sectors of Pakistan:**

Analysis of Islamic and conventional Banks (April, 2017)

Dear prospective Participant

The following questionnaire is designed to define the profiles of individual investors and their financial preferences in Pakistan. The information gathered here will constitute a source for an MPhil degree thesis. Therefore, you are asked to fill out the following questionnaire as precisely and accurately as you can. The results will be used for a general assessment and your answers will be used only for this study confidentially.



Customer Name	Gender
Customer Age	Marital status
Educational status	Occupation
Work experience	Bank Name

Please read each statement carefully and rate each statement according to scale below to indicate how much agree with them.

Statements	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
1. I like Islamic banking investment because it has interest (Riba) free investment system.	1	2	3	4	5
2. I like Islamic banking because of Islamic environment in Pakistan.	1	2	3	4	5
3. I like Islamic banking investment because I like its investment products, services and Islamic polices.	1	2	3	4	5
4. Bank reputation is very important for me to decide investment in a bank.	1	2	3	4	5
5. My previous investment experience with any bank effect on me to decide investment in banking investment products.	1	2	3	4	5
6. My personality and overconfidence effect on me to decide investment in banking investment products.	1	2	3	4	5
7. My family structure effect on me to decide investment in banking investment products.	1	2	3	4	5
8. Social media effect on me to decide investment in banking investment products.	1	2	3	4	5
9. My social interaction effect on me to decide investment in banking investment products.	1	2	3	4	5
10. Religious orthodox in Pakistan effect on me to decide investment in banking investment products.	1	2	3	4	5
11. I feel religious satisfaction when I invest in Islamic banking investment products.	1	2	3	4	5
12. Ethical judgment of religion effect on me to decide investment in banking investment products.	1	2	3	4	5
13. As Religious and non- religious investor I consider rate of return during my decision making in banking investment products?	1	2	3	4	5
14. Rate of return is ultimate factor that can effect on me to decide investment in banking investment products.	1	2	3	4	5
15. Financial literacy effect on me to decide investment in banking investment products.	1	2	3	4	5
16. As my perception the basic factor that effect on me to decide investment in banking investment products.	Rate of return	psychology	culture	religion	Some other Reason
17. As my perception the most important factor that effect on me to decide investment in banking investment products.	Rate of return	psychology	culture	religion	Some other Reason
18. As my perception when I want to invest in banking investment products then this factor effect on me during my decision making.	Rate of return	psychology	culture	religion	Some other Reason





19. I need my family and friends (wife, son/daughter, parents) assistance during my investment decision making?	1	2	3	4	5
20. I consider banking officer’s advice during my decision making?	1	2	3	4	5
21. I make my decision by myself when i invest in banks?	1	2	3	4	5

**2: Survey Questionnaires on Factors Affecting investment Decision in banking sectors of Pakistan:**  
Analysis of Islamic & conventional banks (April, 2017)

Dear prospective Participant

The following questionnaire is designed to define the profiles of individual investors and their financial preferences in Pakistan. The information gathered here will constitute a source for an MPhil degree thesis. Therefore, you are asked to fill out the following questionnaire as precisely and accurately as you can. The results will be used for a general assessment and your answers will be used only for this study confidentially.

Officer Name	Gender
Officer Age	Marital status
Officer Educational status	Occupation
Officer Work experience	Bank Name

Please read each statement carefully and rate each statement according to scale below to indicate how much agree with them.

Statements	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Does investor’s psychology about banking ?Reputation effect on investment decision in banking products	1	2	3	4	5
Does investor’s psychology about previous investment experience effect ?on investment decision making in banking investment products	1	2	3	4	5
Does investor’s personality and overconfidence effect on ?investment decision making in banking investment products	1	2	3	4	5
Does investor’s family structure effect on investment decision making in banking investment products?	1	2	3	4	5
Does social media effect on investment decision making in banking investment products?	1	2	3	4	5
Does social interaction effect on investment decision making in banking investment products?	1	2	3	4	5
Does different religious orthodox in Pakistan effect on investment decision making in banking investment products?	1	2	3	4	5
Does Pakistani investor feel religious satisfaction during their investment decision making in banking investment products?	1	2	3	4	5
Does ethical judgment of religion effect on investment decision making in banking investment products?	1	2	3	4	5



Does religious and non- religious both investors consider rate of return during their decision making in banking investment products?	1	2	3	4	5
Does rate of return is ultimate factor that can effect on investment decision making in banking investment products?	1	2	3	4	5
Does investor's financial literacy effect on investment decision making in banking investment products?	1	2	3	4	5
As investor what perception you have which factor is a basic factor that affect during investment in banking investment products?	Rate of return	psychology	culture	religion	Some other Reason
As investor what perception you have which factor is most important factor that affect during investment in banking investment products?	Rate of return	psychology	culture	religion	Some other Reason
As investor what perception you have when you want invest in banking investment products?	Rate of return Affect me	Psychology Affect me	culture affect me	Religion Affect me	Some other Reason
As investor what you think conventional banking system is better where you want to invest your money?	1	2	3	4	5
As investor what you think conventional Banking products services and polices are better?	1	2	3	4	5
As investor are you satisfied with interest based conventional Banking investment products?	1	2	3	4	5
Does investor's need their family's assistance during their investment decision making?	1	2	3	4	5
Does investor's consider banking officer's advice during his decision making?	1	2	3	4	5
Does investor's make decision himself when he invests in banks?	1	2	3	4	5