

## **Factors Determining the Future Prospects of Islamic Banking Practices in Sri Lanka Based on Customers' Perceptions**

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Islamic financing has become an emerging topic as a viable alternative for the weaknesses identified in the conventional banking system after the financial crisis. When developing strategies that will ensure a quality service within Islamic banking industry, it is important to identify the factors that will determine the future prospects of it focusing on customers' perceptions since they play a major role in determining the future of the industry. Although many studies have been conducted to address the above problem in other countries all over the world, due to the rare case of researches in Sri Lanka, future growth of Sri Lankan Islamic banking industry cannot be precisely forecast. Hence, with the objective of identifying the determinants of future prospects of Islamic banking practices within Sri Lanka, a survey was conducted considering 218 customers dealing with Islamic banking practices in Colombo district using the simple random sampling technique using a printed questionnaire with nineteen Likert scaled items. Descriptive statistical techniques, principle component analysis and exploratory factor analysis were used to analyse the collected data. Univariate analysis revealed that all the respondents are above the advanced level qualification and are Islamic people who are mostly engaged in businesses. Both the principle component analysis and the factor analysis identified four hidden factors. When considering those factors that determine the future prospects of Islamic banking practice within Sri Lanka, customers' perception on; a positive attitude towards the image of the bank, relative advantages from Islamic products, expected services from the bank, and employee customer relationship, which ensures a lasting loyalty towards the Islamic banking services and the providers. Accordingly, the identification of the determinants of the future of the Islamic banking practices depend on the presence of financial institutions within the industry, which ensure the growth and the stability while promising its positive impact towards the country's growth as well.

**Keywords:** customers' perceptions; future prospects; islamic banking; Sri Lanka