

## Expounding Complex Relations among Criticisms on Islamic Banking through Interpretive Structural Modeling

Abdul Aziz Khan Niazi<sup>1</sup>, Tehmina Fiaz Qazi<sup>2</sup>, Abdul Basit<sup>3</sup>, Rashid Ahmad Khan<sup>4</sup>

Institute of Business and Management, University of Engineering and Technology, Lahore, Pakistan<sup>1,2</sup>, Lahore Institute of Science and Technology, Lahore, Pakistan<sup>1</sup>, COMSATS University, Islamabad, Pakistan<sup>1</sup>

Corresponding Author Email: [azizniazi@uet.edu.pk](mailto:azizniazi@uet.edu.pk)<sup>1</sup>

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Islamic banking is criticized worldwide on a variety of grounds. But despite criticism, Islamic banking co-exists with conventional banking and contemporary research is fertile in this area. It has become imperative to buttress driving criticisms on Islamic banking, therefore aim of this study is to identify different types of criticisms and impose hierarchy on them to pinpoint key criticism. In depth literature review, interpretive structural modeling (ISM) and cross-impact matrix multiplication applied to classification (MICMAC) are employed as methods of investigation and analyses. Nine different types of criticisms have been identified from literature review cum discussion with experts and their contextual relationships have been established by using ISM. Results showed that criticisms namely 'dependence on supply of Sharia'h scholars' and dependence on interest are the most critical and driving. Criticism on piecemeal approach is independent and others are ambivalent. The study provides valuable insights of complex interactive relations of criticisms to regulators, academia, bankers, Sharia'h scholars, customers and society at large.

**Keywords:** ISM, Criticism, MICMAC, Islamic Banking, Pakistan

### INTRODUCTION

Islamic banking follows philosophy and value system of Islam. It monitors statues, rules and regulations derived from Islamic jurisprudence (Sharia'h). Sharia'h proscribes receipt payment of interest, vague transactions and deceitful investments. It only permits trade connected to real economic activities (Gerrard & Cunningham, 1997; Kalaithasan & Mohamed, 2007; Bala & Nafis, 2007). In fact, Islam considers money as a medium of exchange only and does not consider it as an asset that which is expected to yield profit. Islamic banks are desired to invest in actual economic activities and to share profit and loss with their customers (El-Gamal, 2006). Islamic financial sector has shown rapid growth during last four decades. Assets of Islamic financial institutions have tremendously increased worldwide and are forecasted to further grow by trillions of US\$ in coming decades (IBA 2017). Islamic banking, in Pakistan, has also registered enormous growth during last few years (SBP, 2018).

Since interest is proscribed in Islam therefore no interest can be charged on lending or borrowings in Islamic banking in contrast to conventional banking. Inclination of customers towards Islamic banking is increasing for last four decades, hence, new Islamic banks are coming into existence quickly and many conventional banks have also started offering interest free banking services even in non-Muslim countries (Salman & Nawaz, 2018). Profit & loss sharing is one of popular propositions of interest free banking (Dar & Presley, 2000). In addition to profit and loss sharing, Islamic banks offer: Musharaka, Morahaba, Bai Salam, Sakkuk, Ijarah, Takaful, etc. Lot of research has surpassed on Islamic banking and related issues but there are only disjointed efforts that, too, are limited and specific to: certain products, modalities, areas and/or countries but nonetheless Islamic banking co-exists along with conventional and Pakistan is no exception (Azad et al., 2018).

However, acceptable solution could not surge as such. The solutions that have been opted for elimination of interest in religious perspective resemble with that of conventional banking particularly in settlement of cost of funds, determination of rates of profits, sanction procedures, repayments, annuities, documentation processes, working styles, inter-bank clearings, borrowing patterns, accounting practices, banking laws/rules/regulations etc. This high degree of resemblance has put Islamic banking drive into serious questioning and damaged very cause of agenda (Lone & Bhat 2019; Trendowski, Rustambekov, Al Shamaa & Alonazi 2019; Islam & Sultana 2019). Azad et al., (2018) asserted that since it is perceived that pricing of products offered by Islamic banking indeed are based on interest rates as being offered by conventional banks which is giving raise to questions on religious legitimacy of Islamic banking. This, in turn, makes customers' mind that there is no concrete difference between Islamic and conventional banking (Azad et al., 2018).

The discerners are confused because of bombardment on Islamic banking due to unclear differentiation particularly when there are many cleverer ways to equate transactions of Islamic banking with that of conventional Belwal, & Al Maqbali 2019; Majeed & Zainab, 2017). This phenomenon (Islamic banking appearing identical to conventional) is attracting huge criticism and it is hovering controversies. Contemporary studies on Islamic banking have explored many aspects like impact of corporate governance; (Lassoued, 2018; Ezeh & Nkamnebe, 2018). compliance with Sharia'h principles, financial reporting standards, accounting procedures, auditing standards, rating systems and prudential regulations but relatively less effort is made to arrest influx of criticism. In fact, issue of criticism has not been dealt seriously which necessitated this study aiming to investigate issue qua reality. It is call of the day to unearth and

impose hierarchy on different types of criticisms to set priorities on agenda for promoting and sustaining Islamic banking in long run. The study has five specific objectives. First, to identify main types of criticisms on Islamic banking. Second, to determine complex interactions among them. Third, to impose hierarchy on them by way of a structural model. Fourth, to classify them on continuum of weak-to-strong in a power-dependence diagram. Fifth, to discuss how model is helpful to regulators, academia, bankers, Sharia'h scholars, customers and society at large. Interpretive structural modeling with MICMAC analysis is used being appropriate methodological option. Rest of paper is arranged as literature review, research methodology, interpretive structural modeling, MICMAC analysis, discussion and conclusion.

### LITERATURE REVIEW

Islamic banking, on the one hand, is witnessing remarkable growth and, on the other hand, is facing lot of criticism particularly about its resemblance with conventional banking. It is because Islamic banking has not fully evolved in offering products or instruments which are independent enough not to resemble with products offered by their counterparts. Contemporary literature covers wide variety dimensions of Islamic banking. Empirical literature support to the fact that changes in interest rate induces customers to switch from Islamic banking to conventional and vice versa (Kader & Leong, 2009; Khan, 2010). Haron & Azmi (2008) proclaimed that support for shuffling of customers between two types of banking is frequent because customers are sensitive to rewards on their deposits. Increase in interest rates on deposits by conventional banks causes corresponding decrease in deposits of Islamic banks and vice versa. Ahmad et al. (2008) asserted that majority of Muslims patronize conventional banks for their faster and efficient services. Islamic banking system has not been optimal in managing output as compared to inputs. It is imperative for Islamic banks to pursue a policy of greater specialization of financing true Sharia'h compliant products to achieve optimum growth. A positive association between product and services disclosure and Sharia'h board size has been witnessed but negative association between products and services disclosure and institutional ownership was found by Grassa, Chakroun & Hussainey (2018). Literature is more fertile with criticism on religiosity in banking. Criticism comes from both sides i.e. from religious and non-religious scholars. Nine different types of criticisms on Islamic banking in context of religiosity are found in literature.

**First** type of criticisms pertains to products of Islamic banking. Ahmad & Haron (2002) argued that products of Islamic banking are alike to that of conventional and not fully accepted by customers. Islamic banks don't have products that are distinctive in nature and unique in risk-return profiles and are not in competition with products offered by conventional banks hence Islamic banks are not much different than conventional (Azad et al., 2018).

**Second** type of criticisms pertains to issue of piecemeal approach of interest free drive. Khan & Bhatti (2006) asserted that interest free banking system has been tried in piecemeal

approach. Tajgardoom et al. (2013) argued that interest free system appears viable in theory but there are many practical problems to implement the same. There are plausible criticisms on prevalent modalities, products, services and practices of Islamic banking.

**Third** type of criticisms pertains to customers' preferences. Rashid & Hassan (2009) argue that that religiosity may not be priority of banking customers because they give high weight to corporal efficiency, core-banking services and confidence than interest free feature of banking (Ireland 2018). Ahmad et al. (2008) concluded that even majority of advocates of interest free banking patronizes conventional banks. Widagde & Ika (2008) found evidence of shuffling of customers in Indonesian banking despite of *Fatwas* by religious scholars about proscribing of interest. Sajjad (2010) and Ireland (2018) asserted that almost half of the customers of Islamic banking are non-Muslims for the reasons best known to them.

**Fourth** type of criticisms pertains to mismatch of design and objectives of interest free banking. For example: Naqvi (1997) argued that designers for interest free drive are not clear that they must relegate to backwaters of history. Darrat & Bashir (2000) concluded that effective monetary control design is not available for Islamic economic system. Hasan (2008) argued that there is mismatch between structural design and objectives of interest free banks. Ghayad (2008) alleged that Islamic financial institutions reveal divergence even from basic Islamic principles. Maclean (2007) criticized that interest free banking drive is something people are more interested in publicly championing than doing something.

**Fifth** type of criticisms pertains to dependence on Sharia'h scholars. Martin (1997) demurred that Interest free finance carries numerous service/finance charges which equates cost of interest free loan to interest charge. Maclean (2007) alleged that banks have found cleverer ways to meet religious provisions. It is also a plausible objection that Sharia'h supervisory boards might fail to discharge their entrusted duties from view point of stakeholders (Besar et al., 2009; Majeed & Zainab 2017; Amoah & Benjamin 2019). Besar et al., 2009. Sajjad (2010) asserted that, usually, opinion of a committee of Sharia'h scholars is solicited as to whether a banking product/practice/transaction complies with Islamic law or not. It is applied to Islamic banking across the board irrespective of realizing the fact that Sharia'h banking scholars are short in supply.

**Sixth** type of criticisms pertains to dependence of Islamic banking on interest-based banking. Niehaus (1983) argued that Islamic banks must adapt business strategies according to market conditions which are formed by dominating conventional banks and similarly they cannot neglect market rate of interest and use it as basis for calculations. Sekreter et al. (2012) argued that Islamic banks maintain and utilize profit equalization reserve to stabilize rates of returns closer to reference rate i.e. interest rates. Ergec and Arslan (2013) conducted a study during 2005 to 2009 in Turkey and asserted that Islamic banks are visibly influenced by interest rates. Hassan and Aliyu (2018) and Butt et al. (2018)

avowed that interest is the determining factor influencing activities of Islamic banking instead of real profit or loss. **Seventh** type of criticisms pertains to conceptual developments. Khan (1999) objected that Islamic economics failed to keep pace with demands of required conceptualization to cope with modern era. Muslim scholars could not dispense justice regarding pace of conceptual development for political economy. Kazmi (2006) and Razak (2018). emphasized that Islamic banking is a contradictory concept and contemporary theories do not coincide with it therefore, in present form, it is nothing more than mythology.

**Eighth** type of criticisms pertains to lack of support to Islamic banking at government level. Alam (2008) argued that contemporary, Islamic banks have yet to develop a lot of policies and need strong governmental support to work well at all levels of economy. Ghayad (2008) concluded that most of the governments are reluctant to extend full cooperation to Islamic banking, even the Muslim governments are in suspicions regarding nature of Islamic banking and links of interest free drive with some Islamic groups.

**Ninth** type of criticisms pertains to what is acceptable and what is not acceptable. Martin (1997) asserted that there is a severe need to develop universally acceptable interest free financial system. Khan (1989) argued that interest free banking can only be implemented as a philosophy of political economies. But Chapra (2007) avowed that entire contemporary international financial system is based on interest, despite prohibition of interest by four of the world's major religions. Interest free banking is stuck with issue what is and what is not acceptable. Criticisms as detailed above are noted in Table-1 for structural analyses.

**Table 1: Criticisms on Islamic Banking**

Sr.	Criticism	Source
1	Alike Products	(Ahmad & Haron, 2002; Azad et al., 2018)
2	Piecemeal Approach	(Khan & Bhatti, 2006; Hassan & Aliyu, 2018)
3	Customers' Preferences	(Rashid & Hassan 2009; Sajjad, 2010; Ireland, 2018)
4	Inappropriate Design	(Maclean, 2007; Ghayad, 2008; Hasan, 2008)
5	Dependence on Sharia'h Scholars	(Maclean, 2007; Besar et al., 2009; Sajjad, 2010)
6	Dependence on Interest	(Sekreter et al. (2012): Ergec & Arslan, 2013)
7	Lack of Conceptual Development	(Khan, 1999; Kazmi, 2006)
8	Suspicious of Governments	(Alam, 2008; Ghayad, 2008)
9	Dilemma of Acceptability	(Chapra, 2007)

## METHODOLOGY

This study follows interpretivist paradigm of research philosophy with deductive approach. It uses cross-sectional primary data collected from field (Ranjbar, Azami & Afraze, 2012). The design of study comprises of literature review, interpretive structural modeling (ISM) and cross-impact matrix multiplication applied to classification (MICMAC) analysis based on data collected from panel of experts.

**Panel of Experts:** Since the study investigates specialized type of a problem for which data is neither available in secondary form and nor it is appropriate to collect from ordinary statistical groups. It is apt to collect primary data from group of people having expertise (i.e. panel of experts) related to problem in hand

assuming their opinions are valid (Ranjbar, Azami & Afraze, 2012). That surpasses data collected from statistical groups (Shen et al., 2016). However, selection of experts requires care because quality gains priority over quantity (Clayton, 1997). Warfield & Member (1974) argued that a person is entitled to be called an expert who can understand system, its basic know how, and has practical experience with knowledge base to decompose it into subsystems for better understanding. Experts in this study, must have twofold knowledge i.e. knowledge Islamic jurisprudence and knowledge of banking and finance. Keeping in view the context, panel was instituted comprising of: i) Sharia'h scholars (Muftis - an Arabic term pronounced for Islamic scholars serving as Sharia'h/fiqh expert with an authority of giving ruling on religious matters), ii) faculty members teaching Islamic banking at university level and iii) managers of Islamic banks. Clayton (2006) and Rowe & Wright (1999) asserted that heterogeneous panel of experts could consist of 5 to 10, whereas, homogeneous could comprise of 15 to 30 experts. It took four weeks to identify, approach, and get responses from experts. Twenty-one (21) experts were initially contacted out of which only sixteen (16) agreed to participate. Therefore, panel for this study consisted of 16 experts (Table 2).

**Table 2: Profile of Experts**

Category	Designation	No. of Experts	Qualification	Work and Workplace	Experience
1	Shariah Scholars	4	Mufti and Ph. D.	Faculty members at higher education institutions and Sharia'h advisor to Islamic bank	11-15 years
2	Faculty Members	6	Ph. D. in Relevant Field	Serving as assistant professor or above in higher education institutions teaching Islamic banking	10-13 years
3	Bankers	6	Masters in Relevant Field	Serving Islamic bank not below the rank of branch manager/vice-president	10-15 years

Total Experts = 16

**Instrument & Data Collection:** Data were collected from district Faisalabad (Punjab, Pakistan) because this district has distinctive position due to concentration of business and education (i.e. both traditional and Sharia'h education). Experts from this district are expected to have comparatively better exposure. Sharia'h scholars, faculty members and bank managers are included in panel. Sharia'h scholars are mufti/hold doctoral degrees having rich experience of advisory/teaching Islamic banking, faculty members hold Ph.D. degrees and are teaching post graduate classes and bankers are senior managers in Islamic banks. Panel includes 3 females and 13 males. Out of total 16 experts, 4 are Sharia'h scholars, 6 are faculty members and 6 are managers. Three to seven days were desired by most of experts because of sensitivity of the matter. Face-to-face in-depth structured interviews coupled with briefing and detailed discussion was used as a method to elicit data (Li, & Yang, 2014). Data were taken from each expert in form of  $\frac{n \times (n-1)}{2}$  matrix for every pair of relations on questionnaire suitable for ISM (Alawamleh & Popplewell, 2011; Trigunarsyah & Dewi, 2015). Alternatives (V, A, O, X) were elected using the principle 'minority gives way to majority' (Sushil, 2012; Abdullah & Siraj, 2014; Dhochak & Sharma, 2016; Li, Huang, Sun & Li,

2019; Cai & Xia, 2018). In the first interaction, respondents were apprised about issue and initial list of criticism was presented to them. They were asked to opine on importance, understandability, relevance and representativeness of factors to comprehend the phenomenon. They were further asked to remove synonymous or conflicting and add other appropriate factors, if any, to finalize list. Second interaction embarked on data elicitation about contextual relationship.

**Interpretive Structural Modeling (ISM):** ISM is a “process that transforms unclear and poorly articulated mental models of systems into visible, well-defined models useful for many purposes” (Sushil, 2012). It is applied to a wide variety of areas particularly in conundrum situation of absence of priori theoretical framework (Warfield, 1973; Warfield, 1974; Sushil, 2017). ISM proceeds stepwise using standard set of rules i.e. mainly identify representative elements of target issue, contextual relationships and partitioning for model (Warfield, 1973; Attri, Dev & Sharma 2013; Thakkar, Kanda & Deshmukh, 2008). Rules for developing structural self-interaction matrix, reachability matrix, iterations and ISM model have been adopted from Attri, Dev and Sharma (2013)

Structural Self-Interaction Matrix (SSIM), Table 4, was constructed using data and rules afore mentioned.

**Table 3: SSIM**

Criticisms	1	2	3	4	5	6	7	8	9
1 Alike Products	1	V	A	A	A	A	A	V	V
2 Piecemeal Approach		1	O	O	O	O	O	X	O
3 Customers' Preferences			1	V	A	A	V	X	X
4 Inappropriate Design				1	A	V	A	A	X
5 Dependence on Sharia'h Scholars					1	X	V	V	A
6 Dependence on Interest							O	O	O
7 Lack of Conceptual Development								V	A
8 Suspicions of Governments									X
9 Dilemma of Acceptability									

Initial reachability matrix (Table 4) was constructed from SSIM by applying rules. Driving and dependence power has also been calculated and mentioned there against row and columns respectively. Driving power is total number of 1s in each row whereas dependence power is total number of 1s in each column. It is used for MICMAC analysis (Figure 2).

**Table 4: Initial Reachability Matrix**

Criticisms	1	2	3	4	5	6	7	8	9	Driving Power
1 Alike Products	1	1	0	0	0	0	0	1	1	4
2 Piecemeal Approach	0	1	0	0	0	0	0	1	0	2
3 Customers' Preferences	1	0	1	1	0	0	1	1	1	6
4 Inappropriate Design	1	0	0	1	0	1	0	0	1	4
5 Dependence on Sharia'h Scholars	1	0	1	1	1	1	1	1	0	7
6 Dependence on Interest	1	0	1	0	1	1	0	0	0	4
7 Lack of Conceptual Development	1	0	0	1	0	0	1	1	0	4
8 Suspicions of Governments	0	1	1	1	0	0	0	1	1	5
9 Dilemma of Acceptability	0	0	1	1	1	0	1	1	1	6

Dependence Power 6 3 5 6 3 3 4 7 5

Final reachability matrix (Table 5) was constructed from initial reachability by removing transitivity. Transitive relations are shown as 1\* in the matrix driving and dependence is given accordingly.

**Table 5: Final Reachability Matrix**

Criticisms	1	2	3	4	5	6	7	8	9	Driving Power
1 Alike Products	1	1	1*	1*	1*	0	1*	1*	1	8
2 Piecemeal Approach		1	1	1	0	0	0	1	*	5
3 Customers' Preferences	1	*	1	1	*	*	1	1	1	9
4 Inappropriate Design	1	*	*	1	*	1	*	*	1	9
5 Dependence on Sharia'h Scholars	1	*	1	1	1	1	1	1	*	9
6 Dependence on Interest	1	*	1	*	1	1	*	*	*	9
7 Lack of Conceptual Development	1	*	*	1	0	1	1	1	*	8
8 Suspicions of Governments	1	1	1	1	*	*	*	1	1	9
9 Dilemma of Acceptability	1	1	1	1	1	*	1	1	1	9
Dependence Power	8	9	9	9	7	7	8	9	9	

Level partitioning was proceeded on basis of reachability matrix. Iterations were performed according to Warfield (1973) wherein: reachability sets comprise of the factor (criticism in this study) itself and all other factors which are led by this factor in each row, antecedent set comprise of the factor itself and all other factors affected by this factor in each column. Intersection sets contain factors which co-exist in reachability and antecedent sets of a factor. If intersection set matches reachability set of factors under consideration that determines level of the factor in ISM model. The factor, level of which is determined, is eliminated from matrix for subsequent iterations. This process is repeated till all levels are determined. Iterations are presented as Table 6;

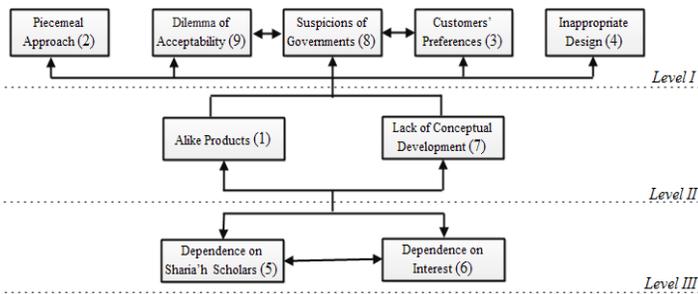
**Table 6: Iterations**

Iteration	Factor s	Reachability	Antecedent	Intersection	Level
Iteration -I	1	1,2,3,4,5,7,8,9	1,3,4,5,6,7,8,9	1,3,4,5,7	I
	2	2,3,4,8,9	1,2,3,4,5,6,7,8,9	2,3,4,8,9	
	3	1,2,3,4,5,6,7,8,9	1,2,3,4,5,6,7,8,9	1,2,3,4,5,6,7,8,9	
Iteration -II	4	1,2,3,4,5,6,7,8,9	1,2,3,4,5,6,7,8,9	1,2,3,4,5,6,7,8,9	II
	5	1,2,3,4,5,6,7,8,9	1,3,4,5,6,8,9	1,3,4,5,6,8,9	
	6	1,2,3,4,5,6,7,8,9	3,4,5,6,7,8,9	3,4,5,6,7,8,9	
Iteration -III	7	1,2,3,4,6,7,8,9	1,3,4,5,6,7,8,9	1,3,4,6,7,8,9	III
	8	1,2,3,4,5,6,7,8,9	1,2,3,4,5,6,7,8,9	1,2,3,4,5,6,7,8,9	
	9	1,2,3,4,5,6,7,8,9	1,2,3,4,5,6,7,8,9	1,2,3,4,5,6,7,8,9	

Iteration I-III (Table 6) signify three levels. Factors (criticisms in this study) 2,3,4,8 and 9 form Level-1, 1 and 7 come in Level-

II whereas 5 and 6 embody Level-III. Based on these results a model has been constructed in following section.

**ISM Model of Criticisms on Islamic Banking:** With help of results of iterations and initial reachability matrix a digraph was constructed, and it was converted into ISM model (Figure 1) by removing all transitive links. Model was also presented to the panel to check logical, theoretical, conceptual or directional inconsistencies, if any, and after minor modifications it was finalized (Raeesi et al., 2013; Vasanthakumar, Vinodh & Ramesh, 2016). Top of the model is occupied by: piecemeal approach (2), customers' preferences (3), inappropriate design (4), suspicions of governments (8) and dilemma of acceptability (9). Suspicious of governments (8) has bi-lateral causal relations with dilemma of acceptability (9) and dilemma of acceptability (9) also has bi-lateral causal relations with customers' preferences (3). They are important factors for effectively ensuring Islamic banking.



**Figure 1: ISM Model**

Middle of the model is occupied by alike products (1) and lack of conceptual development (7) whereas that of bottom is occupied by dependence on Sharia'h scholars (5) and dependence on interest (6). Bottom level factors affect middle level, they in turn affect top level. Factors at bottom level also have by lateral causal relationship with each other, therefore, partake vital importance.

**Cross-Impact Matrix Multiplication Applied to Classification (MICMAC):** The study uses MICMAC approach for structural analysis of criticism on Islamic banking and identification of the most severe (key) criticism. It is attributable to systemic conceptualization based on cross-impact matrix multiplication (Sharma et al., 1994) that was introduced by Duperrin and Godet (1973). It is used to determine and classify factors (criticisms on Islamic banking in this case) on the basis of their driving and dependence power into four clusters i.e. autonomous, independent, dependent and linkage (Godet, 1986; Singh & Kant, 2008).

Driving Power	1	2	3	4	5	6	7	8	9	10
10										
9							5,6		3,4,8,9	
8							1,7			
7										
6										
5									2	
4										
3										
2										
1										
	1	2	3	4	5	6	7	8	9	10

**Figure 2: Driving Power and Dependence Diagram**

Purpose of this classification is to help stakeholders to set policy priorities. The factors, categorized in *autonomous cluster*, have weak driving and dependence power and are relatively disconnected from the phenomenon. However, they have few powerful links that are important. No such factor is found in this study that means all factors are connected and vital to phenomenon of criticism. The factors, categorized in *dependent cluster*, have weak driving and strong dependence power. Only one factor i.e. piecemeal approach (2) is classified in this cluster. It is highly attributable to others therefore it has relatively less systemic/policy priority. There are 3, 4, 8, and 9 (i.e. customers' preferences, inappropriate design, suspicions of governments and dilemma of acceptability) that appear in *linkage cluster* but have high dependence power. In fact, they have high dependence and are ambivalent (Raj et al., 2012; Verma, 2014; Kumar & Sharma, 2015; Attri, 2013b; Jain & Raj, 2015). The factors, categorized in *linkage cluster*, have strong driving and strong dependence power. They are unstable and ambivalent therefore any action on them affects others and also have feedback effect on themselves. Except one factor i.e. piecemeal approach (2), all other factors are classified in linkage cluster. This result indicates that phenomenon (criticism) is in its infancy and system is struggling make some sense. Factors categorized in *independent cluster* has strong driving and weak dependence power. These are key factors requiring high care of stakeholders for handing. They must be given top priority to address the issue. In this study no factor is clear-cut classified as independent, however, all factors classified in linkage have high driving power, since, they have high dependence power as well, therefore, are ambivalent (Raj et al., 2012; Verma, 2014; Kumar & Sharma, 2015; Attri, 2013b; Jain & Raj, 2015).

**Integrated Results and Discussion**

The study is highly valuable for Sharia'h scholars, bankers, discerning bank-customers and regulators. Issue of criticism on Islamic banking has not previously been dealt methodically, hence, this study is aimed to investigate it qua reality. It identified wide range of criticisms on Islamic banking from literature, detailed typification, obtained approbation of experts regarding complex interactions among types of criticisms, imposed hierarchy on them and classified them into clusters to buttress the key criticism. Extensive literature review, ISM and MICMAC are employed as methods of investigation. Results of the study provide understanding to stakeholders for ensuring Islamic banking. The study used a contrast of two structural methodologies (ISM and MICMAC). Their integrated result depicts clearer picture (Table 8).

**Table 7: Integrated Results of Both Structural Methodologies**

No.	Behavior	Driving	Dependence	Effectiveness	MICMAC Result	ISM Result
1	Alike Products	4	6	-2	Linkage	Level II
2	Piecemeal Approach	2	3	-1	Dependent	Level I
3	Customers' Preferences	6	5	1	Dependent/Linkage	Level I

4	Inappropriate Design	4	6	-2	Dependent/Linkage	Level I
5*	Dependence on Sharia'h Scholars	7	3	4	Dependent/Linkage	Level III
6	Dependence on Interest	4	3	1	Dependent/Linkage	Level III
7	Lack of Conceptual Development	4	4	0	Linkage	Level II
8	Suspicious of Governments	5	7	-2	Independent/Linkage	Level I
9	Dilemma of Acceptability	6	5	1	Independent/Linkage	Level I

**\* Key Factor**

As per integrated results of ISM and MICMAC, dependence on Sharia'h scholars (5) is the most powerful criticism but lack of conceptual development (7) is relatively less important whereas piecemeal approach (2) is dependent on others. Customers' preferences (3) and dilemma of acceptability (9) are important as per MICMAC whereas dependence on interest (6) as per ISM. Lot of literature is found on systemic issues of Islamic banking like: Islamic as compare to conventional banking, shuffling of customers, issues superiority, tools, products processes, politico-legal systems, ratings, investments etc. but little research is found to elude criticism. This study is different from contemporary studies in many perspectives like: object of study is unique, objectives, methodology and respondents are different. The implications of the study will also be different. A comparison of current study with some relevant contemporary studies is given (Table 7) to enrich understanding.

**Table 8: Comparison Present Study with Prior Studies**

Study	Focus	Tool	Factors	Findings
Current Study	Buttress key criticism on Islamic banking	ISM	9	Criticism regarding dependence on supply of Sharia'h scholars and dependence interest-based banking are critical.
(Ergec & Arslan, 2013)	Impact of interest rate on deposits/loans	VAR	8	Change in interest rates affect deposits/loans of Islamic banks
(Salman & Nawaz, 2018)	Comparison of profitability, efficiency and liquidity	R*	16	Islamic and conventional bank are different in performance, Islamic banks have better performance
(Sekreter et al., 2012)	Parallelism	LR*	-	There exists parallelism between interest and profit.
(Khan & Bhatti, 2006)	Reasons of unsuccessfulness	LR*	13	Non-reliance on principles of Sharia'h in true letter and spirit.

R\* means regression; LR\* means literature review

**Conclusion**

Islamic banking is criticized on a variety of grounds. Contemporary research is fertile in this regard, but, despite of criticism, Islamic banking co-exists with conventional banking. It has become call of the day to unearth and rank different types of criticisms to set priorities for promoting and sustaining Islamic banking. Since criticism hampers at times activities of Islamic banking, therefore, this study is aimed to identify, hierarchalize, classify and determine contextual relations among different categories of criticisms. It uses literature discourse, ISM and MICMAC as methods of investigation. Findings of literature show that there are nine different types of criticisms on

Islamic banking. Results of ISM showed that top of ISM model is occupied by piecemeal approach (2), customers' preferences (3), inappropriate design (4), suspicions of governments (8) and dilemma of acceptability (9). Suspicious of governments (8) has bi-lateral causal relations with dilemma of acceptability (9) and dilemma of acceptability (9) also has bi-lateral causal relations with customers' preferences (3). These are important factors for effectively ensuring Islamic banking. Middle of the model is occupied by alike products (1) and lack of conceptual development (7) whereas that of bottom is occupied by dependence on Sharia'h scholars (5) and dependence on interest (6). Bottom level factors affect middle level factors they in turn affect top level. Factors at bottom level also have bi-lateral causal relationship with each other hence partake vital importance. Finding of MICMAC reveal that:

- i) there is no factor in autonomous cluster that means all factors are connected and are vital to phenomenon of criticism,
- ii) there is only one factor i.e. piecemeal approach (2) classified in in dependent cluster that is attributable to others have relatively less systemic priority. However, there are 3, 4, 8, and 9 (i.e. customers' preferences, inappropriate design, suspicions of governments and dilemma of acceptability) that appear in linkage cluster but have high driving power. In fact, they have high dependence power as well, therefore, are ambivalent and classified as linking.
- iii) except one factor i.e. piecemeal approach (2), all other factors are classified in linkage cluster. This result indicates that phenomenon (criticism) is in its infancy and system is struggling make some sense.
- iv) no factor is clear-cut classified as independent, however, all factors classified in linkage have high driving power, therefore, are ambivalent.

Dependence on Sharia'h scholars (5) and dependence on interest rates (6) are key driving criticisms because they have high driving power, they occupy bottom of ISM model and unstable and ambivalent. The study significantly contributes towards literature by way of: ascertaining the profile of criticism on Islamic banking, their ISM model (Figure 1), driving-dependence diagram (Figure 2) and highlighting their causal relationships. It provides deeper understanding of structure of criticisms and insights in their relationships for designing future quantitative studies. The study has great value for Sharia'h scholars, bankers, discerning bank-customers and regulators in order to prioritize their efforts and allocate resources to elude criticism. The results of the study provide more realistic framework to banks' management and their customers. It highlights predictive causal links and their inter-dependency at levels for designing quantitative studies. It uses representative characteristics of phenomenon, unique methodology that is generic in nature therefore results are fairly generalizable. The study also has some limitations. Firstly, ISM method only identifies and not quantify relationships therefore some

quantitative technique may be employed to verify/quantify relations. Secondly, ISM interprets nodes and not links, therefore TISM may be used to enhance frontiers of research. Thirdly, some criticism might have been overlooked therefore rather detailed studies may be conducted. Fourthly, research is conducted in Pakistan that should be replicated in some other geographical contexts.

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