

Reasons and Causes that Prevent Customers from Buying Consumer Banking Products in Pakistan

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Abstract

Consumer banking refers to that banking products and services which are directly given by banks to consumers that are personal loan, auto loan, house loan and credit card. . Customers face some problems while buying consumer banking products and services, such as high interest rate, lack of awareness, inappropriate service, arrangement of securities and procedural complications. This study aims to analyze the relationship between perceived problems and consumer banking products. Survey based methodology was used for data collection. For this purpose a close ended questionnaire was designed. The target population was Lahore Pakistan. Interest rate, customer service, security issues and procedural complications are proven to be the problems faced by the customers while buying consumer banking products. But lack of awareness proved to be wrong which means that respondents are aware of consumer banking products.

Keywords: Banking, Consumer Banking, Interest Rate, Customer Service, Security against Loan, Procedural Complications, Awareness

1. Introduction

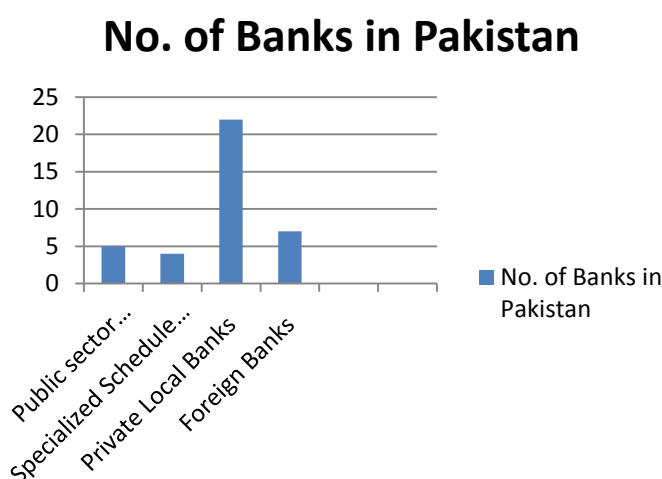
Bank is what we call the backbone of economy of a country. Banking is among one of the most essential factor in once life because it deals with the cash and cash transactions. The need of cash is equally important in life for buying and enjoying a comfortable economics status so the banking sector performs a vital role in our life.

There is common proverb that “A friend in need is a friend indeed”. This proverb is suitable for banks because the bank become our friend when we need money. A few decades back people were not aware of banking products and services. Banking facilities were only available for elite class of society because banks were few in numbers and mostly worked in urban areas. With the development of banking sector common person start buying interest and start using these facilities.

Men have three basic needs food, shelter and clothing. But in these days banking can be consider as a 4th one. One educated person understands the importance of banking sector in our lives. Nowadays because of various banking facilities like commercial loan, personal loan, agriculture loan, SMEs loan etc., the dreams of businessman as well as common man comes true. A few years back banks were their but the people were not aware and well educated.

Pakistani banking system comprises of 38 banks as per State Bank of Pakistan March 2013.

- 5 Public Sector Commercial Banks
- 4 Specialized Schedule Banks
- 22 Private Local Banks
- 7 Foreign Banks

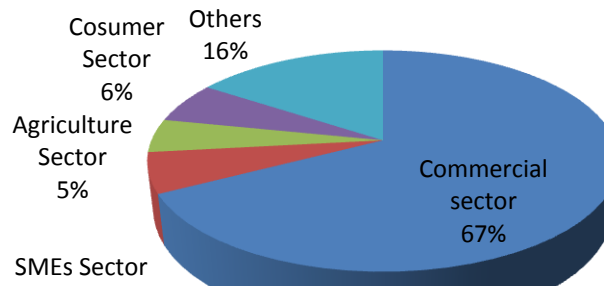


Source: State Bank of Pakistan (March 2013)

All banks and DFIs work under the supervision and accordance with the guidelines provided by the State Bank of Pakistan (SBP). State Bank of Pakistan divided banks under five major sectors. These are;

- Corporate Sector
- SMEs Sector
- Agriculture Sector
- Consumer Sector
- Microfinance sector

Sectors of Banks(%) Advance wise



Source: State Bank of Pakistan (March 2013)

Consumer banking is also known as the retail banking. It is defined as a banking that executes transaction directly with consumers. As (Campbell, 2006) argues that consumer finance describes how institutions like bank provide goods and services to satisfy the need of customers.

Consumer banks help to uplift the economic growth. Consumer banking provides the means of comfortable living standards to consumers. It becomes more competitive due to the change in needs of its customers.

Consumer banking started working in 1990 with the issuance of credit card to selected population of society by some large banks. But it had not performed well because of some very obvious reasons i-e high rate of interest, lack of credit environment and banks policies.

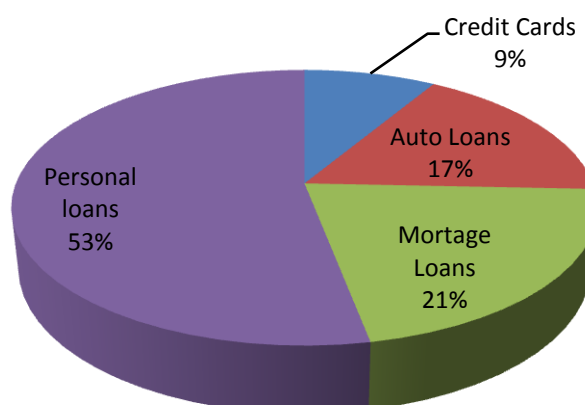
Many people in Pakistan buying benefits from consumer banking sector but still it has facing some critical problems. Initially it was started by foreign banks but its efficiency and profitability attracted other banks to jump in this field.

Banking sector perform important part in the improvement of Pakistani economy. According to (Malik, L.F, Rizwan, M and Ali, A 2001) Banks have approached some areas that were previously underserved like consumer banking. Consumer banking showed significant growth in past few years. Some reasons of that growth were high liquidity products modernism, high competition and high growing income. Rahim also explained that consumer finance sector in Pakistani banking showed unprecedented performances over last 10 years. This growth largely attributed due to the economic policy liberalization, availability of high liquidity after 9/11 (Rahim, 2010).

Peter S. Rose described consumer banking as financial departmental store (Rose 2001). Consumer banking provides wide range of products and services like from providing loan to buy house, help individual in buying product and services, credit/debit card and loan against tuition fee of students etc. In March 2013 total advances made by consumer banking sector were 252 billion rupees. Consumer banking in Pakistan is broadly divided into four types of products;

- Personal loan
- Auto loans
- House loans
- Credit cards

Product Wise (%)



Product Wise Advances of (Source: State Bank of Pakistan (March 2013))

1.1 Problem Definition:

The problem statement of our research is “Reason and Causes that prevent customers from buying consumer banking products in Pakistan”.

In a very short span of time consumer banking sector showed an outstanding performance in the economy of Pakistan as well as in the life of individual person. But still there are some drawbacks in this sector. So that's why many people do not buy these facilities. In this study we will try to find out the problem due to which people in Pakistan are reluctant to buy these facilities and at the end we will give solutions according to the findings.

1.2 Significance of Study:

- Our study is important for us because it is the integral part of our degree.
- The significance of this study is mainly for banks. They can use it to understand the real problems and issues faced by the customers in availing consumer financing. So they can solve these problems in order to improve this banking sector.
- This study is also very beneficial for State bank of Pakistan for preparing regulations related to Consumer Banking. SBP can make such regulations which are helpful for eliminating problems faced by consumer while buying consumer banking products.
- This study is also very helpful from customer's point of view. They can understand about consumer banking, its main products, its regulation formed by SBP etc.

1.3 Purpose and objectives:

The purpose and objectives of the study are:

- To have an overview of consumer financing in Pakistan, products of consumer financing and how they work,
- To understand about prudential regulations for consumer financing by SBP,
- To look for the problems faced by customers while buying consumer banking facilities
- To find a solution for the problems faced by borrowers.

1.4 Variables & Hypothesis:

1.4.1 Variables:

There are many problems faced by customers while buying Consumer Banking Products in Pakistan. But for our study we choose five of them.

Variables of our study are;

- Interest Factor
- Lack of Awareness
- Customer Service
- Security Against Loan
- Procedural Complications

1.4.2 Hypothesis:

H1: Interest factor has influence on customer decision for buying consumer banking products.

H2: Interest factor has no influence on customer decision for buying consumer banking products.

H3: Lack of awareness has influence on customer decision for buying consumer banking products.

H4: Lack of awareness has no influence on customer decision for buying consumer banking products.

H5: Security against loan has influence on customer decision for buying consumer banking products.

H6: Security against loan has no influence on customer decision for buying consumer banking products.

H7: Procedural complications have influence on customer decision for buying consumer banking products.

H8: Procedural complications have no influence on customer decision for buying consumer banking products.

H9: Customer satisfaction has influence on customer decision for buying consumer banking products.

H10: Customer satisfaction has no influence on customer decision for buying consumer banking products.

1.5 Methodology:

A questionnaire based methodology will be used in this research to obtain data from general public. The target population of our study is Lahore. Sample size of 120 will be selected for questionnaire. Our questionnaire will be close ended. The respondent will be selected by convenient sampling technique with no gender discrimination. Our research is Quantitative Research. Research will be conducted in natural environment and no artificial environment will be created.

1.6 Limitations:

Limitations of our study are;

- Due to the time and money constraints Researcher conduct this research on narrow

perspective. This study can be done in broader perspective i-e increase sample size, increase area of study, increase or change variables etc.

- This study is only based on the issues and problems faced by consumer in consumer banking. Other researchers can do it on banking perspective also.
- For data collection researcher used only questionnaires method. Other methods can also be adopted like interviews, observations etc.

2. Literature Review

Consumer financing means financing allowed to individuals to meet their personal, family and household needs (SBP, 2011).

The word Consumer Financing indicates to any type of financing to consumer by banking sector. In other words, it is a kind of service that is programmed to facilitate the individuals with necessary finance for personal purchases, from buying a car, shopping payments and to buy a house (Shahid, 2003).

Campbell argues that consumer finance describes how institutions provide goods and services to satisfy the need of consumer, how they make financial decisions and how decisions of government affect the financial services (Campbell, 2006).

The consumer banks are providing a wide range of products and services. For example, for buying products and services an individual can either use credit/debit card or ATM for cash payment, providing loan to purchase house, tuition fee etc. This sector can be known as financial departmental store (Rose, 2001).

Retail banking is when a bank executes transactions directly with consumers rather than corporations or other banks. Services offer includes saving and transactional accounts, mortgages, personal loan, credit card and auto loan. This term is generally used to distinguish these banking services from investment banking, commercial banking or whole sale banking. It may also be used to refer to a division of bank dealing with retail customers and can also be termed as personal banking services (Tiwari, Rajnish and Stephan, 2006).

The concept of consumer banking is relatively new in Pakistani banking sector. Consumer loan includes Auto loan, credit card, house loan, personal running finance. Consumer financing products are provided in Pakistan by Banking as well as Non-banking financial institutions.

In Pakistan the interest rate spread is very high. Banks earn high profit at depositor's money. SBP should reduce the interest rate spread at least to the level of South Asian region average spread. In India, Srilanka and Bangladesh the average spread is under 6% (CRCP, 2008).

Consumer financing is very helpful for providing high standards of living to the people by uplifting their purchasing power to the various consumption goods which were previously out of their range. The demand of product increases which motivates the manufacturers to increase their capacity. Consumer banks play their role in developing the Pakistani economy. But consumer banks also face some problems like "No sound policy, NPL's etc. (Hassan, March, 2011).

Personal loan have become a part of life of many Pakistani people. They take loan for many purposes e.g. buying a house, Renovation, children educational expense, marriage expense, etc. In the early period when the concept of banking was not known well, the people of Pakistan more specifically people live in rural areas took loan from money lenders on partial terms and on high interest rate or on compound interest rate (CRCP, 2008).

Research indicates that there was strong relationship between service quality and consumer's satisfaction (Jamal and Naser 2003).

Housing is an important nature of asset especially for middle class home owners. Houses are long term assets that give its owner a stream of housing services. On the other hand these are not liquid assets (Pelizzonand Weber, 2005) (Sinai and Souleles, 2005).

A study was conducted by Ahmad, Amanullahand Amer in 2009. This study evaluates the behavior of Pakistani consumers towards the usages of plastic cards specially credit cards. The profession of consumer plays a vital role in their behavior towards credit card (Ahmad, Amanullah, Hamid, 2009).

Credit cards have two main functions for its consumers a source of payment and mode of financing (Stavins, Joanna, 2000) (Chakrwardi, Sujit and William, 2001).

Credit card is risky mode of financing because no collateral is available to cover default risk. This is the reason that this segment of banking has been allowed to banks to operate on their own terms without any worthwhile monitoring by SBP. The people of country become more educated. They know the convenience and the benefits of using plastic card as mode of payment (Hussain May, 2008).

On the basis of use of credit cards consumer can be divided into two segments that is convenience user and revolvers. Convenience user use credit cards only as a mode of payment choose to pay their full balance. Revolving user uses credit cards as a mode of credit pays interest charges on remaining balance (Lee and Hogrth, 1999).

Consumer banking was introduced for the first time in Pakistan around 1990 by City Bank and it immediately turned out to be a huge success. Many banks introduced financing schemes. These schemes were so attractive that people started availing them without considering the side effects (Kamal and Hussain, July, 2011).

The idea of consumer financing was officially introduced in Pakistan on July 30, 2002 when State Bank of Pakistan issued a circular that allowed the commercial banks to finance consumer durables (Rizvi, 2002).

Meister describe in his research that banks were started to offer the consumer financing products such as credit card in reply to the growing competition from other institutions. (Meister, 1996)

Farmer borrowed money from land lords to full fill their urgent needs. They could hardly pay the loan during their life time due to the high compound interest rate. However in the recent decade many foreign banks open their branches in Pakistan which gives the variety of financial products (Ahmad et al., 2009).

Banks earned record profits from consumer banking in last seven years. The important thing about consumer financing is that Pakistan has maximum interest rate spread in the world. (Khalid, July, 2008)

Banking sector performs important part in the improvement of Pakistani economy. Banks have started to give more importance to some areas that were previously underserved like consumer banking. Consumer finance showed significant growth in past few years. Some reasons are high liquidity, product modernism, high competition and high growing income etc. (Malik, Rizwan and Ali, 2006).

Consumer financing sector showed unprecedented growth in Pakistan over last 10 years. The growth was significantly attributed due to the liberalization in economic policy and high liquidity after 9/11 (Rahim, Saddam, Hussain, 2010).

Banking industry is planning to increase their consumer financing portfolio so that it could reduce the increasing percentage of Non-performing loans. The reason behind is that in consumer financing bank continuously receive payment in shape of installments from borrower that keep reducing NPL's size (Sabir, April, 2011).

There has been a phenomenal increase in private consumptions due to easy availability of

credits from banks. The financing has been helpful in improving the quality of life of people who have the capacity of serving the loan. (Kamal and Hussain, July, 2011)

The study of Household Finance/Consumer Finance is very challenging because the behavior of consumer is difficult to measure accurately. The constraints faced by consumers are not captured through text book model (Campbell, 2006).

In general opinion consumer finance has created problems for less financially educated people. Consumer banking products are designed mainly to increase purchasing power of middle class customers, so that they may become able to uplift their standards of living by buying a variety of consumable goods which were formally treated as luxuries (Baber, Iqbal and Afzal, 2008).

Consumer banking sector face some hurdles in its way that are; weak microeconomic environment, unsuccessful regulatory framework etc. (Malik, Rizwan and Ali, 2006).

The consumer financing is an uncertain game. The popular yellow cab scheme was only a big test of consumer financing in Pakistan. It was surely a bad experience for almost all banks who took part in that scheme. Political twist in country and operational inadequacies of bank played important role in the breakdown of system (Shahid, 2003).

The most important issue faced by consumer financing sector is the high interest rate. Low interest rate spread indicates efficiency and healthy competition in the financial system as well as increase investment and economic growth.

Variable interest rate varies due to the fluctuation in the rate paid on bank certificates or treasury bills and changing in interest rate by SBP in monetary policy. In Pakistan almost all consumer banking product are on variable rate of interest. Some products are offered on the choice of customer either adopts fix or variable rate of interest. If customer chose fix rate then interest rate is normally higher than variable rate. So that's why most of the consumer chose variable interest rate in the hope that the rate will fall in future. Some countries like USA determine the interest rate according to sector.

As the consumer banking is increasing in Pakistan, quality of banking services became great issue i.e. processing delays, inefficient services etc. In aggressive marketing, sometimes bank goes to an extent where a person who didn't even apply for loan, is informed that his loan is approved. This misleading information distracts prospective customers.

In Pakistan most of the customers of consumer banking are uneducated. They don't even know about the documentation, policies, rules, regulations, terms and conditions of facilities which provided to them. The documentation in banks is usually technical and the information which can affect the financial right of consumer is never written clearly in these documents.

Financial right of consumer is violated due to the weakness in regulatory framework which is governing this sector (Hassan, March, 2011).

Pakistan Retail banking industry is facing difficult times due to weak economic conditions, increase in non-performing loan portfolio and lack of effective foreclosure laws (Zaidi, March, 2013).

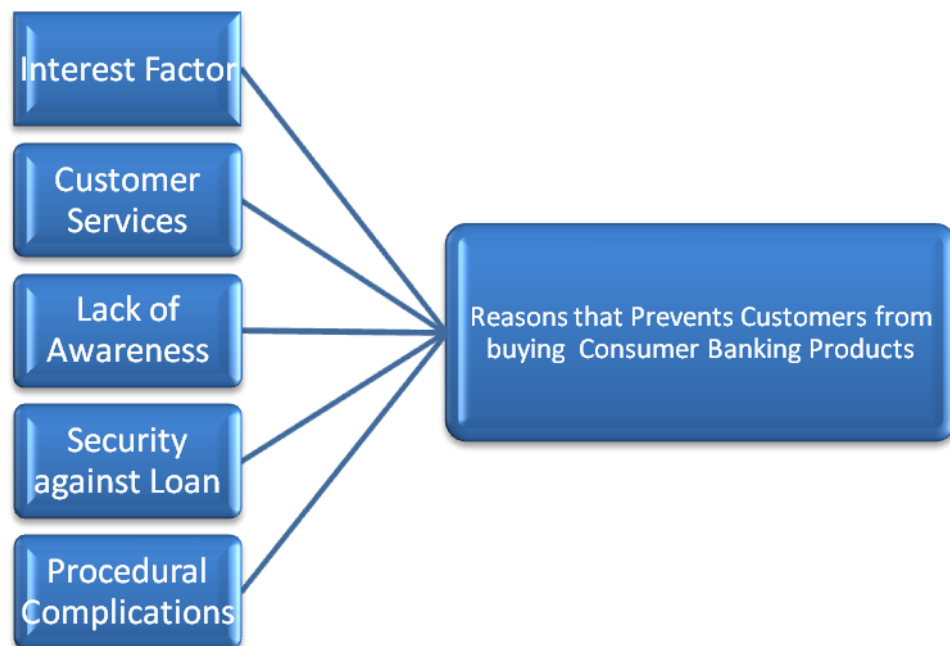
Consumer financing is declining due to high interest rate spread (in recent years, the spread has exceeded 7% on average and has now reached 13-14%) and variable interest rate on loan. High interest rate is damaging competitiveness in financial sector. The number of consumer complaints is consistently increasing due to processing delays, service ineffectiveness, hidden charges and poor disclosure practices. Incompetent and untrained staff is also deteriorating consumer financing in Pakistan (Kamal and Hussain, July, 2011).

Since 2009, banks are facing defaults in their consumer banking portfolio. That's mainly due to increase markup rates, deteriorating economic conditions and lack of effective foreclosure laws. Because of the poor economic conditions, banks cut off their exposure in consumer financing by Rs.7 billion in 2011 with the number of borrowers availing the facility also

decreasing by 5% in the 2nd half of 2011 (The News, May, 2013).

Consumer financing has declined to over Rs.30 billion because many banks has either reduced or completely stopped financing. The other reason of reduction in growth is high interest rate ranging from 17-19%. On credit cards and personal loans, the overall rate is about 30-35% (Sabir, April, 2011).

Our study is based on the problems which are faced by consumers while buying consumer banking products in Pakistan. This study is derived with respect to consumer prospective. For this purpose we choose some variables that are Interest factor, lack of awareness, Customer services, Security against loan and Procedural complications.



3. Methodology

3.1 Research Design:

Research design is a detail plan, structure and strategy for obtaining answers to research questions (Kerlinger, 1986). Researcher had chosen variables, select sample size and gather data that was used for testing hypothesis and evaluating results. This research was quantitative base research. Its aim was to determine the relationship between variables of study and customer behavior towards buying consumer banking facilities. This research was based on customers prospective that means data would be collected from customers. The collected data would be used for evaluating null hypothesis and variables. Afterwards data would be analyzed and interpreted for final Conclusion and Recommendations.

3.2 Population of the Study:

Each element from the set of observation is called Population (Ranjit Kumar, 2010). The selected Population for data collection for study was Lahore. For avoiding biasness in data collection researcher used the convenience sampling technique. Gender discrimination avoided in collection of data. People of different age groups, educational level and occupational status were included in our population. Both, who had already taken consumer loan and who haven't taken any consumer banking facility included in population. Data was collected in natural environment and no artificial environment was created for this purpose.

3.3 Sample of the Study:

A portion of Population selected for data collection is called Sample of the study (Kumar, 2010). Due to the time and money constraints researcher had taken sample size of 120. This sample size helped for evaluating null hypothesis as well as evaluating and interpreting variables of study.

3.4 Tools of Data Collection:

Raw facts and figures are known as Data (Kumar, 2010). Research was based on primary data or first-hand data. So it was collected from customers. Researcher had used questionnaire method for collecting data. For this study researcher had chosen close ended questions. In this, Respondent was restricted to give answer that was available in questionnaire. The questionnaire was divided into two sections i-e Section I and Section II. In section I information related to study was asked. In section II information related to demographics was collected from respondents like gender, age, qualification, occupation, monthly household income etc. Likert Scale was used for this purpose.

3.5 Data Collection:

The study had based on consumer perspective so that the data was collected from customers, either availing or not availing consumer banking facilities. For this purpose researcher visited banks and general public.

3.6 Data Analysis & Interpretation:

For analyzing data we had used some statistical techniques as well as SPSS software to find relationship between variables and relationship among variables and consumer banking products. For this purpose we used frequency analysis and other different tests.

Data which was analyzed by using different statistical tools and SPSS software was interpreted according to results. This interpretation helped us in drawing summaries, conclusion and recommendation etc.

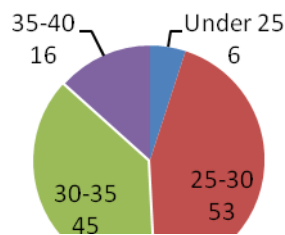
4. Analysis of Data

In this chapter outcomes of the study are provided in a sequence. First of all, profile of the respondents is discussed in which detail is provided about their demographic characteristics like age, gender, income level, education level, profession etc. Frequency analysis of each question has been done. Then the variables are analyzed by using frequencies to test the hypothesis of the study. For this purpose data is divided into two categories first one is customer and the second one is non-customer. Each group is analyzed by using frequencies and then comparisons of both are done. At the end discussion on results is done to arrive at conclusion.

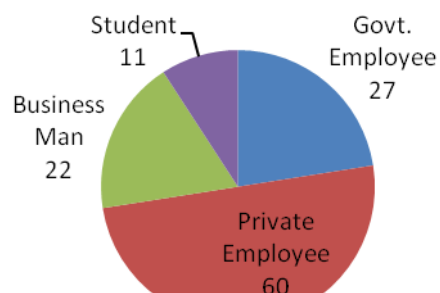
4.1 Profile of the Respondents:

The demographic features of target respondents are presented in this section. The age, gender, income level, education level, profession etc are demographic features.

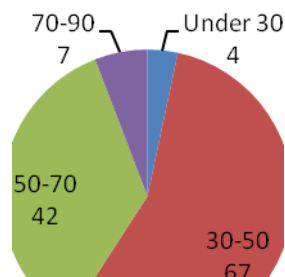
- Data was collected by using questionnaire with sample size of 120.
- Out of which 60 respondents who are use the consumer banking products and 60 respondents are those who not buy consumer banking products.
- 82 out of 120 are males remaining are females.
- Data was collected from people belonging to different age group varies from 20 to 40.



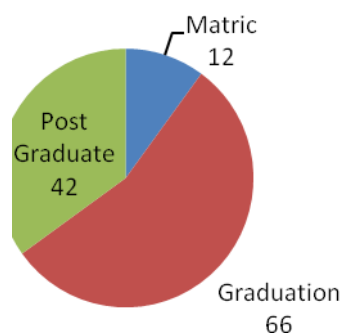
- Respondents were belonging to different professions like students, businessman, private sector employee, government sector employees etc.



- Income level of respondents was different from one another ranging from under 30 to 90 thousand.



- Respondents were belonging from different educational background.



4.2 Frequency Analysis

For analyzing variable, Researcher used Frequency analysis technique. Study consists of two dimensions. First type of respondents are the customers who had consumed the consumer banking products and second type of respondents are those who haven't use consumer banking product yet. There may be difference of opinion between these two. Researcher analyzed them one by one. So that researcher would come to know about the opinion of both groups individually and also the difference of opinion.

4.2.1 Customer's Frequency Analysis

Researcher worked on five variables to analyze "why customers are not buying consumer banking products". Data was collected through questionnaire in which questions related to variables were asked. Respondents gave their opinion accordingly. Results are analyzed with Tables and Bar diagrams.

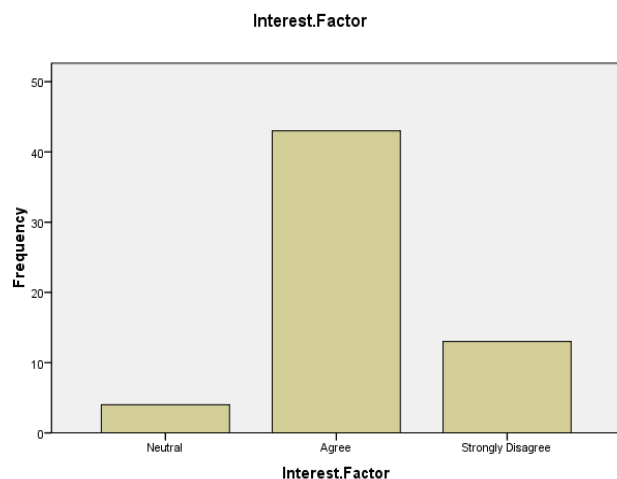
The summary of their answers are given below.

Q1: "Interest is a problem for you?"

In response of above question, 43 respondents agreed to the statement. 13 respondents were strongly agreed but no respondent was disagreed with this statement. So it is clear that Interest is a problem due to which customers avoid buying consumer banking products.

Interest Factor

	Frequency	Percent
Neutral	4	6.7
Agree	43	71.7
Strongly Disagree	13	21.7
Total	60	100.0



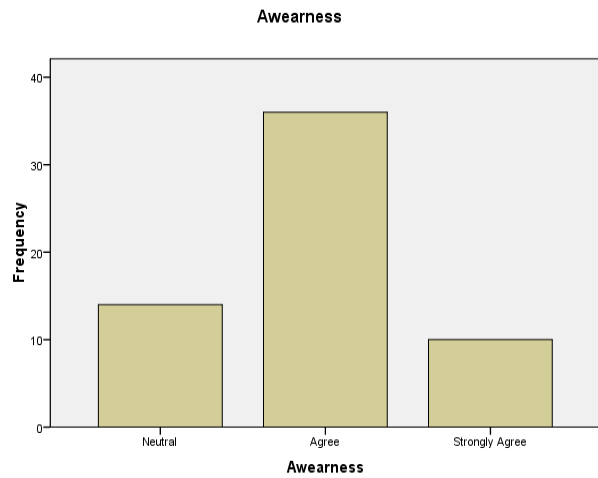
Q2: "You are aware of consumer banking products available in Pakistan?"

46 respondents replied in positive out of which 10 were strongly agreed to the statement and no respondent was unaware of the consumer banking products.

It means that customers are well aware of consumer banking products so variable "Lack of awareness" proves wrong.

Awareness

	Frequency	Percent
Neutral	14	23.3
Agree	36	60.0
Strongly Agree	10	16.7
Total	60	100.0



Q3: “Are you satisfied from services that were given to you by bank?”

35 respondents are satisfied from services and 22 respondents are disagreed with this. Customers of consumer banking are satisfied from services that are given by bank.

Customer Service

	Frequency	Percent
Disagree	22	36.7
Neutral	3	5.0
Agree	35	58.3
Total	60	100.0

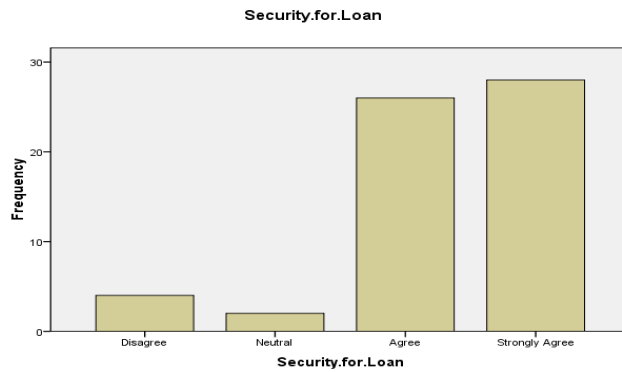


Q4: “You faced difficulty while arranging security for loan?”

28 respondents were strongly agreed,29 were agreed and only four respondents are disagreed. It clarifies that customers in Pakistan are facing problems while arranging securities for loans.

Security for Loan

	Frequency	Percent
Disagree	4	6.7
Neutral	2	3.3
Agree	26	43.3
Strongly Agree	28	46.7
Total	60	100.0



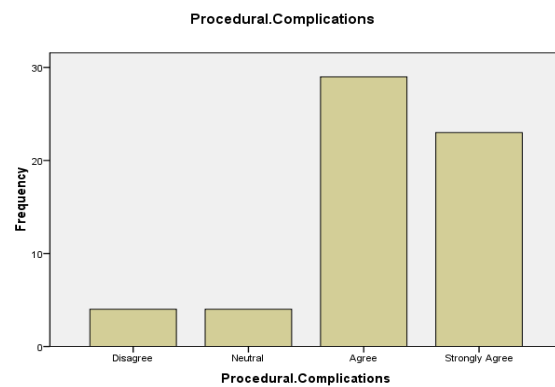
Q5: “You face procedural complication while buying consumer banking products?”

In response 23 respondents were strongly agreed, 29 were agreed and only 4 respondents are disagreed with the statement.

It means customer finds loan procedure quite difficult.

Procedural Complications

	Frequency	Percent
Disagree	4	6.7
Neutral	4	6.7
Agree	29	48.3
Strongly Agree	23	38.3
Total	60	100.0



4.2.2 Non-Customer’s Frequency Analysis

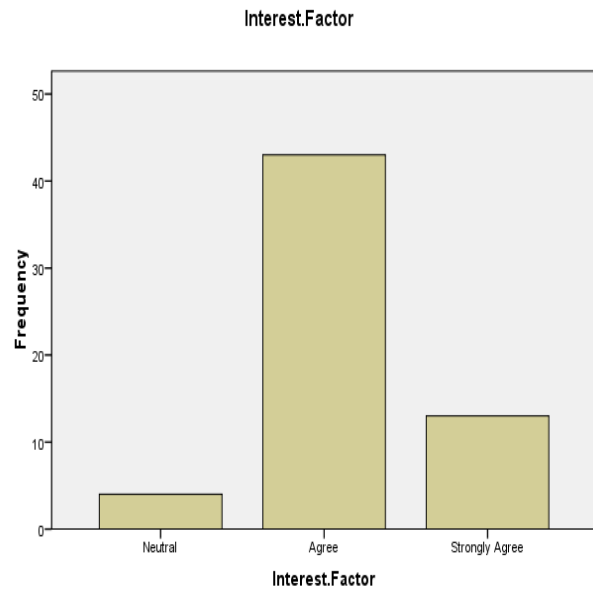
Data was also collected from the persons that haven’t yet taken any consumer banking facility. So they were categorized as non-customers for this research. Same questions were asked from them as were asked from customers.

Q1: “Interest is a problem for you?” In reply of this question 56 respondents replied in positive out of which 13 were strongly agreed. No respondent disagreed with the statement.

For non-customers also interest is a problem that prevents them from buying consumer banking loan.

Interest Factor

	Frequency	Percent
Neutral	4	6.7
Agree	43	71.7
Strongly Agree	13	21.7
Total	60	100.0

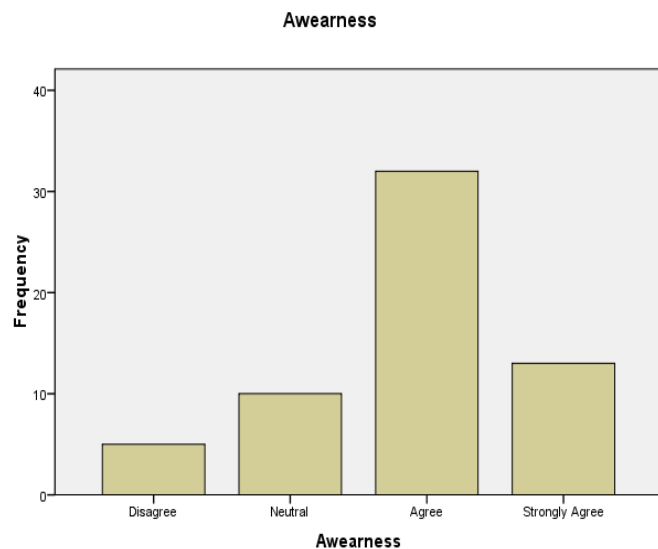


Q2: “You are aware of consumer banking products available in Pakistan”.

The response showed following result. 32 respondents were aware of banking products and 5 respondents didn’t know about these banking services. This means that awareness is not a problem in Pakistan.

Awareness

	Frequency	Percent
Disagree	5	8.3
Neutral	10	16.7
Agree	32	53.3
Strongly Agree	13	21.7



Awareness

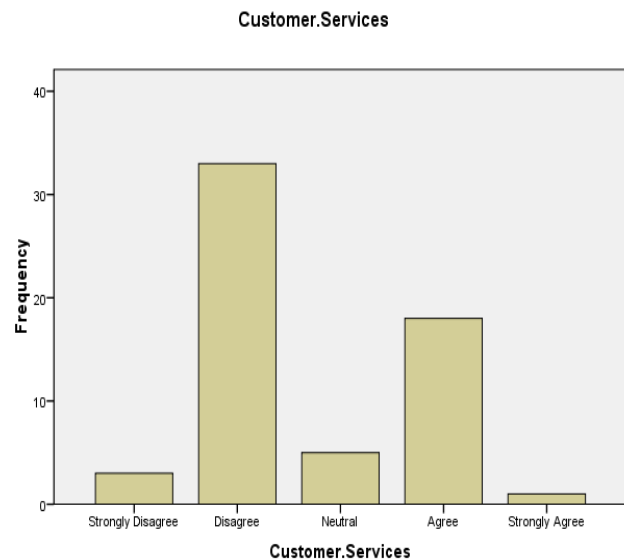
	Frequency	Percent
Disagree	5	8.3
Neutral	10	16.7
Agree	32	53.3
Strongly Agree	13	21.7
Total	60	100.0

Q3: “Are you satisfied from services that were given to you by bank?”

Only 18 people were happy with the bank’s services and while 36 were unsatisfied with the service. It showed that non-customers are unsatisfied from customer service.

Customer Services

	Frequency	Percent
Strongly Disagree	3	5.0
Disagree	33	55.0
Neutral	5	8.3
Agree	18	30.0
Strongly Agree	1	1.7
Total	60	100.0

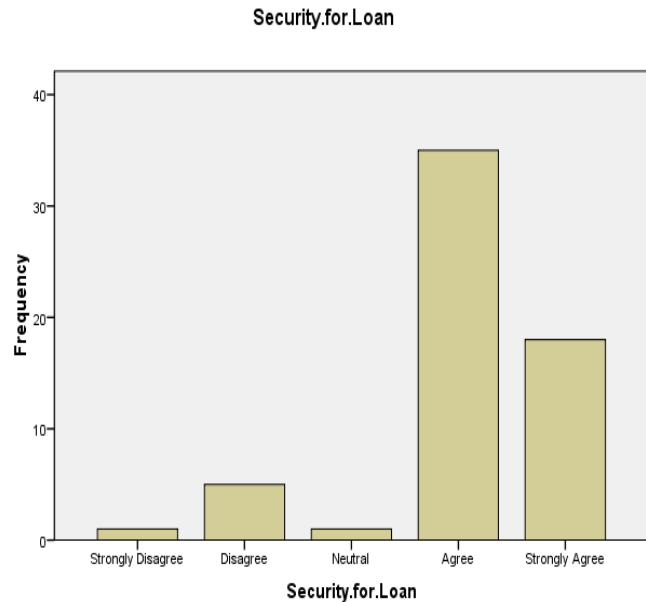


Q4: “You faced difficulty while arranging security for loan?”

In answer of this question 35 respondents said that arrangement of security is an issue for them. 18 respondents have serious concerned about this. Only 5 respondents disagreed with the statement as they have no problem in arranging security. It demonstrates that most of the people have problem in arranging security.

Security for Loan

	Frequency	Percent
Strongly Disagree	1	1.7
Disagree	5	8.3
Neutral	1	1.7
Agree	35	58.3
Strongly Agree	18	30.0
Total	60	100.0

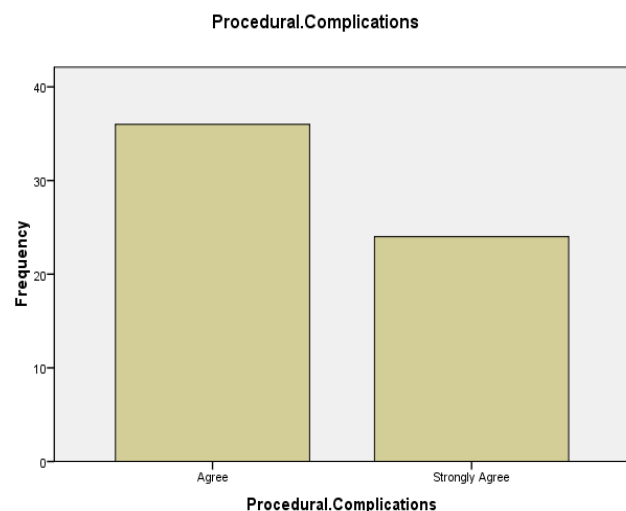


Q5: “You face procedural complication while buying consumer banking products?”

59 respondents were agreed with the statement and no one found bank’s loan procedure easy to understand. It means that non-customers also find loan procedure difficult and complicated for understanding.

Procedural Complications

	Frequency	Percent
Agree	36	60.0
Strongly Agree	24	40.0
Total	60	100.0



5. Summery, Findings, Conclusions & Recommendations

5.1 Summary:

Consumer banking refers to that banking products and services which are directly given by banks to consumers that are personal loan, auto loan, house loan and credit card. In Pakistan consumer banking sector showed an outstanding performance in the economy of Pakistan as well as life of individual person. But still there are some draw backs in this sector. Customers face some problems while buying consumer banking products and services, such as high interest rate, lack of awareness, inappropriate service, arrangement of securities and procedural complications. This study aims to analyze the relationship between perceived problems and consumer banking products. Survey based methodology was used to for data collection. For this purpose a close ended questionnaire was designed. Data was collected from 120 individual. Out of which 60 are the bank's customer and other 60 are non-customer. The target population was Lahore. Researcher examined the respondent perception regarding five problems that prevent them from buying consumer banking products.

Interest rate, customer service, security issues and procedural complications are proven to be the problems faced by the customers while buying consumer banking products. But lack of awareness proved to be wrong which means that respondents are aware of consumer banking products. The result of this study cannot generalize to the other areas because it covers only the area of Lahore.

5.2 Findings:

Data was collected from customers and non-customers of consumer banking.

These results are;

Variables	Customers	Non-Customers
Interest Factor	Interest is a problem	Interest is a problem
Awareness	Well aware of consumer banking products	Well aware of consumer banking products
Customer Service	Satisfied from the service	Unsatisfied from the service
Security for Loan	Faced difficulty for arranging loan	Faced difficulty for arranging loan
Procedural Complication	Faced complications in loan procedure	Faced complications in loan procedure

5.3 Conclusion:

This research is a comprehensive study that covers hinders faced by customers from buying consumer products in Pakistan. Researcher used Different demographic and analytic tools to make this research more comprehensive and reliable. The findings of research support the literature and conclude the problems faced by customers that prevent them from buying consumer banking products. Research proved to be right as researcher found four out of five variables have negative influence on customers and only one variable "Lack of awareness" proved wrong as most of the respondents were well aware of the consumer banking products.

5.4 Recommendations

Followings are the recommendations of the study.

- 1- Consumer banking products should be sharia based.

- 2- Banks should avoid compound interest rate.
- 3- Banks should focus on delivering better quality service.
- 4- Banks should work in the best of the interest of customer.
- 5- Banks should demand reasonable security that can easily managed by customers.
- 6- Banks should make their loan procedure much easier and understandable. It should be less time consuming. It should avoid using complicated language.

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CHAPTER-6: APPENDICES

Dear Respondent a research is conducted on Reasons & Causes that prevents Customers from buying Consumer Banking Products in Pakistan for which data is collected from you. We assure you that the details which are to be submitted below will be used only for the academic purpose and will be kept confidential.

SECTION I: Research Questions

1=Strongly Disagree 2=Disagree 3=Neutral 4=Agree 5=Strongly Agree

SR.#	Questions	1	2	3	4	5
1	You are aware of consumer banking products available in Pakistan.					
2	Interest is a problem because it is prohibited in Islam.					
3	Interest is a problem because of high amount of interest.					
4	Interest is a problem because of variable interest amount.					
5	You are satisfied from services that were given to you by Bank.					
6	Bank's representatives are well trained.					
7	Bank's representatives act in your best interest.					
8	Complete information related to products is given to you.					
9	Consumer banking product(s) are exactly what you need.					
10	Repayment of loan is convenient for you.					
11	Credit limit is a problem for you.					
12	You faced difficulty for arranging security for loan.					
13	Loan procedure is easy to understand.					
14	Loan documents are easy to understand.					
15	Loan procedure is time consuming.					
16	You faced any procedural delays for buying consumer banking facility.					
17	Have you a good loan experience?					
18	Will you like to buy consumer banking product(s) again?					
19	Will you recommend the consumer banking product(s) to others?					

SECTION II: Demographics

20-Gender

(1) Male (2)Female

21- Age

(1) Under 25 (2) 25-30 (3) 30-35 (4) 35-40 (5) 40 Above

22- Marital Status

(1) Married (2) Single

23- Profession

(1) GOVT. Employee (2) Private Sector Employee (3) Businessman (4) Student

24- Income Level (In Thousand)

(1) Under 30 (2) 30-50 (3) 50-70 (4) 70-90 (5) 90 Above

25- Education Level

(1) Less than Matric (2) Matriculation (3) Graduation (4) Post Graduate

26- Are you a Bank Customer?

(1) Yes (2) No

27- Which bank you are customer with?

(1) HBL (2) UBL (3) Bank Alfalah (4) Standard Chartered

(5) Other _____

28- Have you taken any consumer banking product?

(1) Yes (2) No

29- Which product of consumer banking you had used?

(1) House loan (2) Personal loan (3) Auto loan (4) Credit card (5) Other _____

Thank You