

## ABSTRACT

The emergence of strong Islamic movements in last three decades has generated a renewed interest in Islamic economics, especially in Islamic interest free banking. Currently Islamic banks are strategically offering high quality products and services to satisfy their customers due to the strong competition.

The concept of Islamic banking in Sri Lanka is relatively new. There was a need to know as to how the Islamic banks are penetrating into the Sri Lankan financial market and competing head on with conventional banks for the same customers. Since Sri Lanka has a multy ethnics and different cultural backgrounds, what are the factors influencing in the selection of Islamic banking product and services? Even though there are many conventional banking products and services why the customers are giving preference in the selection of Islamic banking products and services? Which factors are influencing on the selection of Islamic banking whether quality of service or high profit & low service charges, religious beliefs or availability of service?

The purpose of this study was to investigate major factors that influence in the selection of Islamic banking in the Batticaloa district. Descriptive and correlational survey designs were used, a self-administered questionnaire was carried out on respondents to collect the raw data. This considered a sample of one hundred ninety three respondents who were Islamic banking customers from Batticaloa district using a non-probability sampling.

The findings revealed that availability of service was the number one cited factor influencing on customer preference in the selection of Islamic banking, followed by quality of service, religious belief, and high profit & low service charges respectively. When customers were influenced by religious belief they did not much care about high profit that could be earned by dealing with conventional banking. At the same time most of existing customers of Islamic banks who were the customers of conventional banks. The study recommends that Islamic banks should consider fulfilling all the banking needs of customer by providing all kinds of services and should remain highly dedicated to Islamic principles in order to retain the customers and survive in the market.

**Keywords:** Influencing factors, Customer preference, Islamic banking.