

UNDERSTANDING CONSUMER  
PURCHASE DECISION OF ISLAMIC  
BANKING: A study of perception, knowledge,  
religiosity, with the moderating role of attitude

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## Abstract

There is an overwhelming consensus in the literature that Islamic banking has been suffering from a negative image. Surely, Islamic banking has been promoted in the Muslim world as an alternative to conventional banking with a strong positioning on Islamic Sharia law (Islamic Jurisprudence) compliance.

This reality is paradoxical in that Islamic banking's premise and *raison-d'être* is its congruence with Islamic law. One would expect Muslims to jump on the bandwagon of Islamic banking because it is Halal/lawful banking in comparison to conventional banking, which is perceived in Islam as a Haram/unlawful banking system because of its dealing with interest rate (usury).

Putting the ambivalent attitude of Muslim consumers towards Islamic banks into question, the purpose of the study was to shed some light on the reasons behind the unpopularity of Islamic banks in Muslim countries, from a behavioral perspective, taking the consistency theories as a theoretical background. For this purpose, as will be further explained, this study took two research phases to complete and used a mixed-mode research method by combining quantitative research design with qualitative research design (Creswell, 2014).

A proposed conceptual framework aligning with the aintegration assumption is created. It extends the framework to include the aintegration theory as a valid and another contributing perspective to understanding consumer behavior in paradoxical contexts.

The study has also practical implications. Based on the results of the two research phases, the following practical recommendations were made for Islamic banks to keep existing Muslim customers and potentially attract new ones: there is a real need for a strong positioning of Islamic banking as a "true" alternative to conventional banking, with a strong emphasis on Sharia compliancy, transparency, and trust in Islamic banks.

Overall, the analyses undertaken in this part of the study empirically supported the importance of perception, knowledge, religiosity, and attitude in predicting the patronage of Islamic banks or lack of it. Although these findings are important, they do not exhaustively explain the ambivalent attitude of Muslims towards Islamic banks. Therefore, the second phase of the research was undertaken to shed more light on this topic.

The qualitative findings revealed that the consumers who do not patronize Islamic banks but do business with conventional banks instead, consensually, acknowledge the inconsistency (cognitive consistency theory) but feel no discomfort with their behavior (balance theory).

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## Preface

“O you who believe! Eat not Riba (usury) doubled and multiplied, but fear Allah that you may be successful.” Holy Quran: Surat Al-Imran, Aya 130.

“Those who consume interest cannot stand [on the Day of Resurrection] except as one stands who is being beaten by Satan into insanity. That is because they say, "Trade is [just] like interest." But Allah has permitted trade and has forbidden interest. So whoever has received an admonition from his Lord and desists may have what is past, and his affair rests with Allah. But whoever returns to [dealing in interest or usury] - those are the companions of the Fire; they will abide eternally therein.” Holy Quran: Surat AlBaqara, Aya 275.

“Allah destroys interest and gives increase for charities. And Allah does not like every sinning disbeliever.” Holy Quran: Surat AlBaqara, Aya 276.

“Today, frequent inquiries from people about the truth of Islamic banks and its products have led us to collect many questions along with its answers to fully clarify the reality of Islamic banks and remove the ambiguity surrounding them” (Islamic Bank of Bahrain, 2019, p. 1).

In social-psychology, “Consistency and balance played a constituting and paradigmatic role in social cognition. Major theorists argued that incompatible values, attitudes, or behaviors lead to imbalance and disharmony, which in turn cause discomfort and stress. Therefore, people are motivated to seek consistency, produce modified congruent cognitions, emotions and behaviors that reduce cognitive dissonance, conflict and stress, thus retaining psychological balance (Heider 1946/1958, in Lomanz and Benjamini, 2016, p. 82).

## CHAPTER 1. INTRODUCTION AND PROBLEM STATEMENT

### 1.1 Introduction

The three selected verses (Ayats) from the Quran (Holy Book of Muslims) about riba/usury, presented in the preface, the quote from the Islamic Bank of Bahrain (2019) about the perceptions of Islamic banking, and Heider's (1958) explanation of consistency theory, clearly epitomize the current state of affairs of Islamic banking, which is the topic of this thesis. Lateh et al. (2009) define Islamic banking as "A system of banking which is consistent with the Sharia (Islamic Law). From a finance perspective, the Sharia does not allow the paying and receiving of interest (Riba) and promotes a greater level of fairness and equity in the conduct of the banking business" (p. 168). As such, Islamic banking, as an alternative to conventional banking, denotes congruity between Islam, Muslims, and banking (Lateh et al., 2009). Yet, as reported by the Islamic Bank of Bahrain (2019), ambiguity surrounds Islamic banking. This ambiguity contributes to the unpopularity of Islamic banks among Muslim consumers. A great number of studies investigated the unpopularity of Islamic banking in a few countries and identified several contributing factors, including, for example, negative brand image, lack of knowledge of consumers about Islamic banking principles and bank product offers, religiosity of the consumers, and attitudes towards Islamic banking (e.g., Volk and Pudelko, 2010; Beloucif et al., 2017; Ali et al., 2018; Al-Awadhi, 2019). This study investigates the extent to which consumers' perception of Islamic banking, their knowledge about Islamic banking, and their religiosity influence their attitude towards the adoption of Islamic banking products and services in Kuwait.

In addition, drawing from research in social psychology, and rooted in consistency theories (Heider, 1946/1958; Osgood and Tannenbaum, 1955; Festinger, 1964; Lomranz and Benjamini, 2016), this study tries to understand why Muslims do not patronize Islamic banks. Accordingly, a conceptual framework (Figure 4) based on consistency theories, developed by this study suggests

that Islamic banking, which provides a more consistent schema in the mind of Muslim consumers compared to conventional banking, underlying a positive (and natural) relationship between the triad Islam-Muslims-Islamic banking, Islamic banks ought to be favored by Muslim consumers over conventional banking. Yet, conversely, despite the premised congruous nature of Islamic banking with Islamic law and conduct, Islamic banking performance figures show that Islamic banking has not yet penetrated the psyche of Muslim consumers as promised by its tenants. This situation is even more puzzling because, as de Clerck (2009) reports, there is a trend nowadays towards improving ethics in the world of business and Islamic banking has founded its competitive advantage on Islamic ethical principles. According to Reynolds and Newell (2011), generally, a need for ethical banking has been invoked in the world by conscious consumers and ethical investors.

Financial institutions have shown extremely risky and irresponsible behavior, resulting in several financial crises such as the one witnessed in 2009 (Scheire and De Maertelaere, 2009). As Scheire and De Maertelaere (2009) report, “The challenges of this financial crisis, and the role of banks, in particular, have risen high on the agenda. There is a strong call for responsible, transparent and socially responsible banks. Society, including politicians, businessmen, academics and bankers understand banking should return to its basic intermediate function, reinvesting collected deposits in the real economy” (p. 2).

The financial crisis of 2008 and 2009 has created serious economic fallout worldwide and has exacerbated the call for an ethical banking movement. According to Reynolds (2011), the ethical banking movement includes ethical investment, corporate social responsibility, and the principles of transparency. A sentiment for an alternative to conventional banking has also been recognized in the Muslim world, and has been identified in Islamic banking (Elfakhani, Zbib, and

Ahmed, 2007). Surely, Islamic banking is older than the 2009 financial crisis, but concomitant crises have also, to a certain extent, reignited the Islamic banking principles in the hearts and minds of Muslim scholars and consumers (Lewison, 1999). Further elaboration on ethical and Islamic banking follows.

#### 1.1.1 Ethical and Islamic Banking

There is the argument that the main idea of Islamic banking has antecedents back in ancient times. Way back before Islam, interest free loans were practiced among ancient Jews and Christians (e.g., Stein, 1956; Maloney, 1971). Offering interest free loans is the main characteristic of Islamic banking.

Dar and Presley (2003) pointed to a wealth of literature encouraging interest free loans, advancing that early modern economists (Mill, 1826; Smith, 1904; Keynes, 1931; Fisher, 1933; Wicksell, 1935; Hayek, 1933, 1939; Minsky, 1977; Greenwald and Stiglitz, 1988; Bernante and Gertler, 1990) had identified linkages between interest rates and macroeconomic instabilities which afflict most capitalist economies, such as, inflation, unemployment and negative growth.

The history of banking, in general, goes back to the days of Judea, Babylon and Assyria. Modern banks' history started at 1157 with the bank of Venice (Hoggson, 1926). The banking industry is the core of country-level as well as regional economic growth. Its importance lies in its intermediary role in channeling savings and managing investment funds. A failure in the banking industry is not only hazardous on the domestic economy, but it will cause a ripple effect of failures to the global banking and financial systems (Ali and Farruk, 2013).

A clear example is what happened when Lehman Brother's collapsed, after which the US economy took a strong hit, followed by multiple aftershocks to the whole world economy. This is a main reason behind the need to keep the banking industry well monitored, governed, and organized. Ethical issues in business operations, in general, have witnessed an increasing attention

globally in the past few years. Authors (e.g., Saidi, 2008) assert that there is increasing integration of ethical management into operational strategies by businesses across the globe. Ethics, broadly defined, is the branch of philosophy that deals with human conduct. It is based on human values and the prescription of what is right and what is wrong (Velasquez et al., 2015). Business ethics is a form of business analysis and understanding based on the examination of ethical principles and moral problems of consumers, organizations, and the overall environment in which the business actions take place (Warren, 2011).

Saidi (2008) further argues that organizations are exploring different options in which they can carry out the ethical behavior. Božovi'c (2007) contends that these trends can be witnessed even in the banking sector with the evolution and spread of a new system called "ethical banking". Božovi'c (2007) defines ethical banking as a system that works based on equity, responsibility, accountability and promotion of sustainable development. A more provocative definition is set by Green (1989) who defines ethical banking as the quest to make "a market in money and not to make money in the market". Green (1989) argues that integrity, responsibility, and affinity are the three integral aspects of ethical banking.

The growth of ethical banking is believed to have given a boost to Islamic banking. Many scholars are of the view that contemporary Islamic banking is riding on the idea of ethical banking (Dhumale and Sapcanin, 2002; Lewison, 1999). Thereby, ethical prerogatives and socio-economic development become salient determinants of the Islamic financing modes. In this regard, Islamic financial institutions have a mandate that extends beyond simply serving their clientele by securing funds for different portfolios. They become, as Siddiqi (1997) purports, development institutions to play an important role in the economic and moral uplift of the Islamic society or community, aligning it within the Sharia framework.

Islamic Sharia is a set of rules and codes of conduct prescribing lawful behaviors to be followed by Muslims and condemning unlawful behaviors. Sharia is derived from three main Islamic sources. In order of priority and importance these sources are: Quran (Muslims' holy book), Sunnah (the behavior, actions, and teachings of the Prophet of Islam, Prophet Mohammad (Peace Be Upon Him)), and Ijtihad (the reasoning of a qualified group of Muslim scholars based on their knowledge and interpretation of the Sunna and the Book) (Chapra, 1992).

Muslims derive their ethical system from the teachings of the Quran (which Muslims believe is a book revealed by God to Prophet Muhammad (PBUH) in seventh century Arabia), and from the Sunna (the recorded sayings, teachings and behavior of Muhammad (PBUH)). Scholars argue that the goals of Islam are not primarily materialistic. Rather, Islamic teaching is based on Islamic concepts of spirituality, prayer, humility, human wellbeing, and the good life, which stress brotherhood/sisterhood and socioeconomic justice and require a balanced satisfaction of both the material and spiritual needs of all humans (Chapra, 1992).

According to Rice (1999), the Islamic ethical system contains specific guidelines for achieving the moral filter and for conducting business. These guidelines derive from the interrelated concepts of unity, justice and trusteeship. They are based on unity/tawhid, justice/adalah, and trusteeship/khilafah (explained further). Beekun (2001) explains that within an Islamic context, the term most closely related to ethics in the Quran is khuluq/values. The Quran also uses a whole array of terms to describe the concept of goodness: khayr (goodness) birra (righteousness), qist (equity), adl (equilibrium and justice) (Beekun, 2001). Alwi et al. (2021) include iman (faith), Niyyah (intention), Amanah (trust), and Adalah (justice).

Applying these values to Islamic banking, Allah, according to Ariff (1988), is/becomes the primary stakeholder in Islamic banking. Consequently, banks are obliged to act towards the benefit



of all the stakeholders. For this matter, banks or financial institutions are only custodians of wealth. In other words, according to Ariff (1988), the principle of trust/Amana in Islamic finance signifies that all money or wealth is owned by Allah. Thus, banks are confined to making decisions that are in reference to the teachings of Allah. Similarly, Abdul Gafoor (2003) contends that Islamic banks contribute a lot to the society and that part of their objectives is to eradicate poverty from society. From an Islamic banking perspective, one way to contribute to the eradication of poverty is not to deal in Riba/usury/interest rate. Islamic banking is predicated on interest free loans.

There is also the belief that in doing so, they are serving God on earth. This view is further supported by Hamid (2006) who submits that Islamic banks have used their charity organizations to channel their annual charity funds to their respective beneficiaries, as a form of the spread of wealth among people. It becomes clear that Islam and its codes of conduct represent the pillars of Islamic banks and their business. The simple definition of Islamic banking, which is to do banking in accordance with Islamic Sharia, however, masks the complicated nature of this banking phenomenon. In principle, the philosophy of Islamic banking is more complex than its definitional orientation. According to Summit Bank (2016), for example:

“The philosophy of Islamic banking takes the lead from Islamic Shariah. According to Islamic Shariah, Transactions involving interest/riba [An increase stipulated or sought over the principal of a loan or debt and implies any excess compensation without due consideration (consideration does not include time value of money), Gharar [Excessive level of uncertainty or ambiguity created due to the lack of information or control in a contract] and Maysir [game of chance or speculation] are prohibited. Moreover, they cannot deal in any transaction, the subject matter of which is invalid (haram in the eyes of Islam). Islamic banks focus on generating returns through investment tools which are also Shariah compliant. Islamic Shariah links the gain on capital with its performance.

Operating within the ambit of Shariah, the operations of Islamic banking are based on sharing the risk which may arise through trading and investment activities using contracts of various Islamic modes of finance” (Summit Bank, 2016, p. 1).

Similarly, Beloucif et al. (2007, p. 41) explain: the “basic principles of Islamic banking are risk-sharing, materiality, no exploitation, no financing of sinful activities”. Saiti (2015) elaborates more clearly on the understanding of Islamic banking as follows: “Since the Holy Quran has condemned interest and enjoins profit creation via trading, the Islamic finance jurists have resorted to applying the explicit meaning of *al-bay*, i.e. trading in determining the *Shariah* legitimacy of financial instruments. By trading, they usually make a reference to sale of goods and services. For example, a contract of sale consists of the following pillars: Buyer and seller; Object of sale, Price; and Offer and acceptance. A valid contract must ensure that each of the above pillars does not contain the following prohibitions: Interest as *riba*, Ambiguity (*gharar*); Gambling (*maisir*), and Prohibited commodities such as liquor, pork etc.” (p. 173). Thus, Islamic ethos, *in principle*, governs these Islamic organizations’ strategies and systems. The foundations of Islamic banking and finance are further discussed below.

#### 1.1.2 Foundations of Islamic Banking and Finance

The foundation for Islamic banking activities is the Islamic finance roles, which are basic financial principles in the essence, but which must align with the Islamic laws (Sharia). Sharia roots go back in history to more than 1400 years ago. In Islam, any activity, whether personal, such as worshipping Allah, group activity such as social, commercial, or political endeavors, should be aligned with Sharia law.

This orientation has a major impact on the nature and number of allowed operational tools and techniques used in Islamic banking. Basically, there are two fundamental Sharia rules that dictate the format of Islamic banking. These Islamic rules are against and exclude Riba/usury and

Gharar /ambiguity, speculation) (Aldohni, 2013; AlKulaib, Almudhaf, and Al-Jassar, 2013). Islamic finance is, thus, built on the idea that profit (returns) should be grounded on ownership and sharing in returns (profit or loss). Hence, Islamic banking is fundamentally focused on partnership between investment transaction stakeholders. These values are applied to any/all offering(s) on an Islamic bank, as the Sharia board reviews and filters all activities and processes (Ukey, 2014). According to Hassan (1999, p. 60), The Organization of Islamic Conference (OIC) defines Islamic banking as “a financial institution whose statutes, rules and procedures expressly state its commitment to the Principles of Islamic Shariah and to the banning of the receipt and payment of interest on any of its operations”.

The first recorded attempt to establish an Islamic bank was in an Egyptian village called MetGhamr back in 1963 (Sid Ahmed, 1982). That attempt did not last long, as it was shut down in 1967. It is agreed upon that modern Islamic banking record started with the inauguration of Dubai Islamic Bank in 1975, followed by the Islamic Development Bank also in 1975, Faisal Islamic Bank and Kuwait Finance House in 1977 (Derbel, Bouraoui, and Dammak, 2011).

Research supports that the customers of Islamic banking, whether Muslims or non-Muslims, give high importance to ethics as the major reason they choose to bank with a certain Islamic bank (Gilani, 2015). Gilani (2015) further explains that the principles of ethics and morality on which Islamic banking and finance is based and the related concepts of human rights, equality, justice and Islamic moral values, might enhance the confidence and trust of the clients as well as reflect the changes in people’s preferences in favor of ethical business behavior when doing business with any organization. These factors are, according to Gilani (2015), the main reason behind the growth of the Islamic banking and finance sector, in that the market sees it as a business based on ethics, principles and moral values. It is noteworthy to stress that the contemporary Islamic banking

movement has been around for only a few decades, and it has now a foothold as a business and service (van Schaik, 2001).

According to the World Islamic Competitiveness Report (WICR, 2013-14, p. 9), Islamic banking has witnessed growth, especially in the QISMUT countries (Qatar, Indonesia, Saudi Arabia, Malaysia, UAE and Turkey). These countries “are vital to the future internationalization of the Islamic banking industry” (p. 9). “QISMUT represented 78% of the international Islamic banking assets (excluding Iran) in 2012. It is expected to grow at CAGR of 19.7% over 2013-18, significantly faster than rest of the Islamic finance world” (p. 9). Recent data from the WICR (2016) show the importance of Islamic banking. It has been stated that “The pulse of the international Participation banking industry are the nine core markets -Bahrain, Qatar, Indonesia, Saudi Arabia, Malaysia, United Arab Emirates, Turkey, Kuwait, and Pakistan. Together, they account for 93% of industry assets, estimated to exceed US\$920 billion in 2015” (WICR, 2016, p. 4).

What the data (e.g., Table 1, 2 and Figure 3, 4) also clearly indicate is that Islamic banking has not yet penetrated the majority of Muslim countries. The majority of the global customers of Islamic banks are residing in QISMUT countries. Moreover, what the data also tell is that even the Islamic banks in the participating countries are lagging in market share behind their conventional banking counterparts, which clearly underlines the unpopularity of Islamic banking among Muslims in Muslim countries. This observation suggests that a sort of *je ne sais-quoi* malaise regarding Islamic banking exists, undermining its potential for penetrating other Muslim markets and for capturing a fair share of the banking business in general.

Table 1. International participation banking assets, 2014.

	% Global	% National
Saudi Arabia	33.0	51.2
Malaysia	15.5	21.3
UAE	15.4	21.6
Kuwait	10.1	45.2
Qatar	8.1	25.8
Indonesia	2.5	3.7
Turkey	5.1	5.5
Bahrain	1.6	29.3
Pakistan	1.4	10.4

Source: Adapted from WIBCRC 2016, p. 12.

Table 1 shows the global and national percent share in assets of the participating countries. Saudi Arabia ranks first in both indicators, followed by Kuwait and Qatar. The numbers also indicate that the other countries' assets, whether globally or nationally, are comparatively small. Table 2 shows a five-year market share changes in the participating countries.

Table 2. Market share changes, 2010-2014.

	2010	2011	2012	2013	2014
Saudi Arabia	1.8	5.3	4.0	1.9	2.4
Malaysia	1.0	1.6	1.2	1.2	0.6
UAE	1.4	-0.8	1.7	1.5	0.0
Kuwait	4.0	0.9	0.3	-0.4	2.2
Qatar	2.7	2.2	0.7	-0.2	2.2
Indonesia	0.5	0.6	0.3	0.3	0.1
Turkey	0.2	0.3	0.5	0.4	-0.3
Bahrain	-2.0	-0.3	-0.1	1.1	1.6
Pakistan	0.7	1.1	0.6	1.0	0.9

Source: Adapted from WIBCRC 2016, p. 13.

**Growth rate by region**

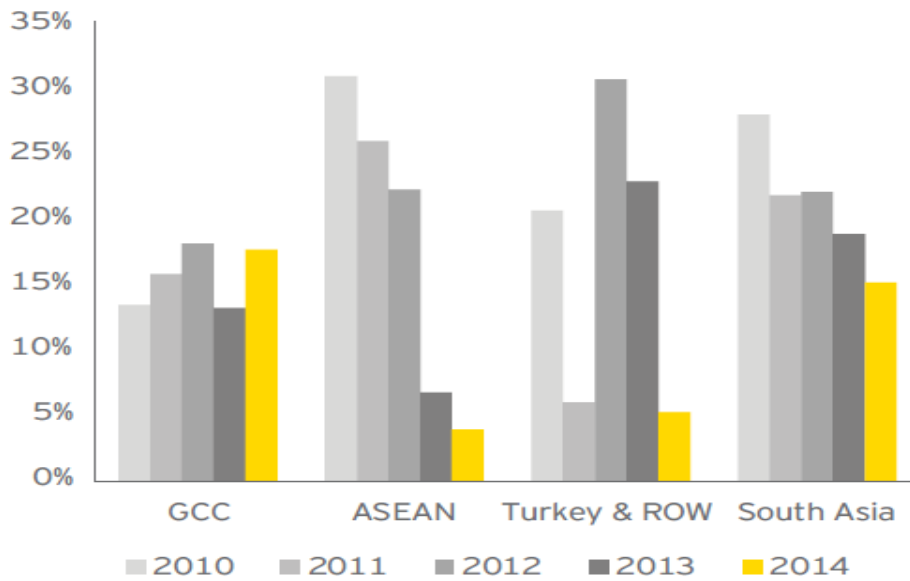
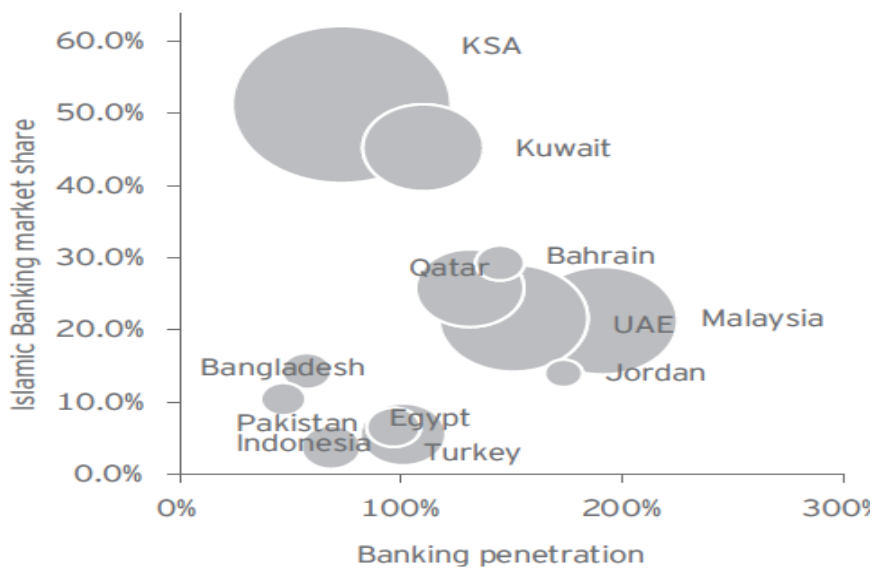


Figure 1. Growth rate by region. ROW= Rest of the World.  
Source: WBCR 2016.

**Banking penetration and Participation asset market share**



● Size of circle = Islamic Banking Assets  
 Note: For the Bahrain market, analysis is based on domestic banking assets.

Figure 2. Banking penetration asset market share.  
Source: WBCR 2016.

The unpopularity of Islamic banking in Muslim countries has also been observed by Ali and colleagues (2018) who mention that, according to data from Islamic Financial Services Industry Stability Report (2017), “55 percent of total Islamic banks’ assets of top twenty-five Islamic banks are concerted in seven countries (p. 71)”. Data also point to the fact that growth in Islamic banking is attributed to an increase in market share of *only* a few participation countries, namely the GCC and in particular Saudi Arabia. This begs the simple and yet complex questions: despite the philosophical congruence between Islamic banking and ethical banking (Saidi, 2008) and between Islamic banking and Islamic teaching, why is Islamic banking lagging in market share compared to the traditional banking in Muslim-majority countries? Is Islamic banking just a niche market and will remain so in the future, despite the increasing Muslim population?

For example, in Indonesia, the world’s most populous Muslim country, Islamic banking currently counts less than 4% national market share, Turkey records only 5.5%, and Pakistan 10.4% (WIBCR, 2016). The unpopularity of Islamic banking among Muslims is a puzzling phenomenon that warrants further investigation (Haron et al., 1994; Ahmad and Haron, 2002; Islamic Banking of Bahrain, 2019). There are some 49 countries in which Muslims comprise more than 50% of the population. A total of 1.2 billion Muslims live in these nations, representing 74% of the global Muslim population of 1.6 billion. Only 26% of Muslims live in non-majority countries. Of these, the majority lives in the economically less developed world. 3% of Muslims live as minorities in the more economically developed world. Of the top 45 nations with the greatest Muslim populations, only 13 are not majority Muslim which is 65.8% (1.053 billion) of all Muslims in the world. All are in majority Muslim countries except for India which is 14% Muslim and Nigeria which is 48% (Nigeria is projected to be majority Muslim in the coming decade). The other 546

million Muslims in the world are 34 % of the total and most of them also live-in majority Muslim countries.

Figure 3 below, shows each country's relative size based on its Muslim population. Theoretically, an increase in the number of Muslims ought to converge with an increase in the numbers of Islamic banking patrons. Or to put it differently, buying from conventional banking ought to inflict the Muslim consumer, who prefers to patronize non-Islamic banks instead of Islamic banks, with a feeling of cognitive dissonance, imbalance or disharmony. Cognitive dissonance is a theory positing that when a person participates in an action that has contradictory beliefs, ideas, or values s/he is more likely to experience psychological distress (Festinger, 1957). Festinger (1957) argues that the magnitude of psychological discomfort can be reduced once the two actions become psychologically consistent with each other. Similarly, as balance and congruity theories of the parent theory consistency theory argue, incompatible values, attitude, or behaviors lead to imbalance and disharmony, which in turn result in discomfort and stress (Heider, 1958; Osgood & Tannenbaum, 1955).

The top ten Muslim majority countries in order of greatest to least population are:

1. Indonesia: 209.1 million (13% of the world's Muslims)
2. India: 176.2 million (11% of the world's Muslims)
3. Pakistan: 167.4 million (10,5%)
4. Bangladesh: 134.4 million (8.4%)
5. Nigeria: 77.3 million (4.8%)
6. Egypt: 76.9 million (4.8%)
7. Iran: 73 million (4.6%)
8. Turkey: 71.2 million (4.5%)
9. Algeria: 34.7 million 2.2%)
10. Morocco: 31.9 million (2%)

The next 24 biggest populations are:

1. Iraq: 31.1 million
2. Sudan: 30.9 million
3. Saudi Arabia: 30.7 million
4. Afghanistan: 29 million
5. Ethiopia: 28.7 million (34% Muslim)
6. Uzbekistan: 26.8 million
7. Yemen: 24 million
8. China: 22-50 million (2% Muslim)



9. Tanzania: 19.4 (34% Muslim)
10. Syria: 17.3 million
11. Malaysia: 17.1 million
12. Russia: 16.3-20 million (12% Muslim)
13. Niger: 15.6 million
14. Mali: 15.6 million
15. Senegal: 14.5 million
16. Philippines: 5 to 11 million
17. Burkina Faso: 11.2
18. Tunisia: 11.2 million
19. Somalia: 9.8 million
20. Azerbaijan: 9.4-20 million
21. Guinea: 8.6 million
22. Ivory Coast: 7.9 million (40%)
23. Chad: 7.8 million
24. Tajikistan: 6.5 million
25. Jordan: 6.3 million
26. Libya: 6.3 million
27. Mozambique: 5.3 (22%)
28. Uganda: 5 million (12%)
29. France: 5 million (7.5%)
30. Cameroon: 4.9 (21%)
31. Kyrgyzstan: 4.9 million
32. Ghana: 4.9 million (18%)
33. Turkmenistan: 4.8 million
34. Mauritania: 4.1 million
35. Sierra Leone: 4.1 million

Of these only Ethiopia (34%), China (2%) and Russia (12%) and the Philippines (5 to 11%), Mozambique (22%), France (7.5%), Cameroon (21%), Uganda (12%), Ghana (18%), Ivory Coast (40%), and Tanzania (34%) are not majority Muslim.

The last majority Muslim nations are: Maldives, Comoros Islands, Western Sahara, Djibouti, UAE, Bahrain, Qatar, Gambia, Bosnia, Kuwait, Oman, Cocos, Lebanon, Brunei, and Albania. None have populations of more than 2.3 million people.

Figure 3. Muslim population in numbers and percentages around the world.

A study by Basheer et al. (2019) and also Aysari et al. (2022) about Islamic banks in Malaysia concludes that consumers do so mainly because of their Islamic commitment. Ali et al. (2018) also argues: despite “the presence of an exceptionally supportive infrastructure for Islamic banking growth [in Malaysia], these figures are considered stagnant and unsatisfactory which indicates the existence of certain operational [or behavioral] barriers in industry” (p. 71). Basheer and colleagues (2019) and Aysari et al. (2022) all posit that despite the growth of Islamic banking, Islamic banks could perform better if consumers’ attitudes and behaviors are well understood.

These observations are intriguing and warrant further investigation. Putting it bluntly, this time, one may curiously ask: why is the majority of Muslims in Muslim-majority countries not patronizing Islamic banks? Echchabi and Abdulaziz (2014) and also Zainol et al. (2008) argue that a misconception about Islamic banking's operations, products, and services does exist among Muslim consumers. Perception is important to the study of consumer behavior because it is a mental image (Solomon et al., 2014) and "a mental process, whereby an individual selects data or information from the environment, organizes it and then draws significance or meaning from it" (p. 9). This mental image influences consumers' attitude about a product or service, which in turn influences consumer purchase decision. Purchase decisions are based on the fit between how the consumer perceives a product or a service and the mental image he/she upholds about that product or service. The Islamic Bank of Bahrain (2019)'s study concludes that people's perceptions of Islamic banks represent significant growth barriers to Islamic banking (Al Shaikh, 2019).

Elfakhani et al. (2007) argue that the main niche of Islamic banks is adherents to Islamic faith, but they fail to define the word "adherents" and leave room (albeit not consciously) to the issue of Muslim's religiosity and its impact on consumer behavior. Authors propose consumer's religiosity as a factor that mediates the purchase of Islamic banking products and services. For example, Al-Awadhi (2019) investigates the extent to which religiosity influences the preference of institutional investors to hold lottery-type stocks. Using data from Kuwait, he finds that "Islamic institutional investors deviate from their religious norms by holding more lottery-type stocks than their non-Islamic counterparts" (p. 22). His conclusion suggests that operations of Islamic institutions engage more in excessive uncertainty (Gharar), which is prohibited in Islam. Al-Awadhi (2019) argues, engagement in Gharar, which is antithesis to what is halal/lawful, in Islamic banking creates a sort of mistrust of Islamic banking within the Muslim population.

Research also points out that even Islamic banks' employees have concerns about Islamic banking (Ali, Hassan, Juhdi and Razali, 2018). According to Syed and Mohammad (2018), the poor conception of Islamic banking among Islamic banks' employees is mainly due to a lack of awareness, knowledge, and training.

Considering such observations, a few more questions about the unpopularity of Islamic banking among Muslim consumers must arise. An understanding of the ambivalent attitude of Muslims towards Islamic banking can benefit Islamic banks in retaining existing customers and converting new ones. According to the Islamic Bank of Bahrain's (2019) study, such an understanding may dissipate the misconceptions about Islamic banking practices (Al Shaikh, 2019) and guide Muslim customers towards making enlightened decisions about the adoption of Islamic banking. Therefore, understanding consumers' perception, knowledge, and religiosity can be important for Islamic banks' business, especially that the Muslim population is projected to reach 2.1 billion in 2030 (Pew Research Center, 2011). Recommendations can be given to reinforce personal beliefs and lead to attitude change, which in turn can benefit the Islamic banks as well as its consumers.

### 1.1.3 Research motivators

Islamic banking has been criticized from different fronts (Ali et al., 2018; Al-Awadhi, 2019), including its viability as an alternative to traditional banking and its image as Sharia law compliant banking system. Scholarly research on Islamic banking, and Islamic finance in general, has mainly been confined to empirical verification of performance and distinctiveness compared to conventional finance. For example, studies find mixed conclusions evidencing the relative efficiency of Islamic banks compared with conventional banks (see, for instances, Hassan and Lewis, 2009). There are also mixed findings about the viability of Islamic banking system as an alternative to the fragile conventional system, especially in times of a financial crisis (e.g., Ibrahim,

2015).

According to Ibrahim (2015, p. 187), the banking literature in general identifies variations in efficiency across banks that need to be considered in the evaluation, and includes factors, such as bank size, liquidity, profitability, market competition and market power, bank ownership, product diversity or loan activity, regulation, and crisis.

Other commentators (e.g., Volk and Pudelko, 2010; Beloucif, 2017) argue that Islamic banking is challenged with an image problem. A ghost that has been haunting the credibility of Islamic banks in the eyes of consumers is the financial fraud that targeted Turkish consumers residing in Germany. Beloucif et al. (2017) explain that “Between 1995–2002 members of Turkish communities in Germany were the victims of fraud targeted by ‘so-called’ Islamic banking. The financial damage is estimated to be between £4.3 and £21.4 billion” (p. 50). Furthermore, outside Muslim countries, Islamic banking is often associated with Islamization and against integration of the Muslim community in mainstream society (Volk and Pudelko, 2010).

These authors argue that the negative perception of Islamic banking in Europe relates to the prejudice that Europeans have of Muslims and perceived unwillingness to integrate in mainstream society. There is also the fear that Islamic finance will finance and support terrorist activities. For example, after a growing success of Islamic banks in Egypt between 1980 and 1985 due to positive media campaign and support by religious and business people and the Egyptian press, in the 1988, the Egyptian state reversed the trend and launched a tough media campaign against Islamic banks. The then Egyptian government feared the growing importance and influence of Islamic banks’ members and the potential impacts of their finances on sustaining the Muslim Brothers in the country.

The negative or reversed media campaign led to a financial panic, which led to the bankruptcy of some companies (Kepel, 2002). Kepel (2002) explains that “in 1988 the Egyptian state called a halt to this process [support of Islamic banking], fearing that it would allow the Islamist movement to build up a war chest and hand the Brothers and their friends a fundamental independence that would lead to a hardening of their oppositional stance” (p. 280). Similarly, according to Echchabi and Azouzi (2017), Algeria’s plan to adopt Islamic banking suffers from sensitivities related to a perceived revival of political Islam after the 1990s war. Also, it has been argued that one of the challenges in Morocco to implement Islamic banking, besides legal and regulatory ones, is perceived incompatibility and social influences (Echchabi and Azouzi, 2015). Moreover, on another front, Mohieldin (1997) argue that the practices of Islamic banking diverge in many ways from its paradigm version (see also, Akbar, et al., 2012; Lewis, 1999; Siddiqi, 1997; Hassan, 2001).

Some commentators assert that Sharia compliance does not only mean complying with Islamic law which is based on the Quran and which major tenant is prohibition of charging and receiving interest/Riba (Volk and Pudelko, 2010), but Sharia also forbids investment in businesses that are in contradiction with Islamic belief such as the production, selling and consumption of alcoholic products and related services, engaging in gambling activities, and eating pork products. Such finance investments are considered to have a strong bearing on the proper application of Sharia law and are forbidden/haram by Sharia law (Saeed, 1996; Rammal and Zurbruegg, 2007). Hence, generally, there is a widespread perception among Muslims that conducting business with Islamic banks is similar to, or not different from, doing business with conventional banks.

The Muslim population is projected to reach 2.19 billion in 2030 (Pew Research Center, 2011). Islamic banks are built around universally accepted cultural rules like justice, freedom,

productive work, and trust (Fitzerald, Austin, Arnoldin, and Kader, 2011). According to Abdur Razzaque et al. (2013), the world is witnessing an emergence of religious revival as one of the ten mega trends in the new millennium in recent years. This religious trend has changed the global market environment and has created an urgency to gain a better understanding of the relationships between patronizing behavior and perceived quality of Halal (permissible according to the Islamic law) services (Hamid, Ahmed and Rose, 2015). Hamid et al. (2015) argue, “The rapidly growing number of Muslim population both in Muslim and non-Muslim countries has simultaneously seen the development of Halal industry worldwide. The surge in the demand *for* Halal products and services intensifies the need for managers to fully understand the behavior of Muslim consumers. Generally, Islam is not perceived as merely a religion by the Muslims but as a complete way of life that shapes their values and affects consumption behavior” (p. 21).

As a Muslim living in Kuwait and who patronizes Islamic banking, I find it perplexing that over one half of the Kuwaiti Muslim population does not adhere to Islamic banks. It is also baffling to me that the situation is even more acute in most of the Muslim majority countries around the world, where only a meagre number of bank consumers do business with Islamic banks. Thus, my motivation to pursue this research is first to understand this phenomenon and second to offer recommendations to Islamic banks to prevent existing customers from churning and to convert new ones.

#### 1.1.4 Research Purpose

Based on this controversial background, the purpose of this study is to look into Islamic banking from a consumer behavior perspective in order to understand consumers’ attitudes, and purchase behavior towards Islamic banking with reference to consistency theory (Heider, 1958). The academic discipline of this study is social psychology. Social-psychology is about understanding people’s behavior in a social context. As defined by Baron, Byrne and Suls (1989), social

psychology is “the scientific field that seeks to understand the nature and causes of individual behavior in social situations” (p. 6).

Furthermore, as religion is the main defining factors for the establishment of Islamic banking, it is worth mentioning that there is also compatibility between religion and psychology, in that together they provide a deeper understanding and explanation of broadest domains of human behavior (Albelaikhi, 1997). Citing Wrenn (1958, p. 378), Albelaikhi (1997, p. 5) supports that: “Psychology contributes to an understanding of the nature of self and one's relationships with others, religion to an understanding of meaning and purpose in life, and the significance of these same relationships. Both may contribute to more effective living. Their purposes are parallel and supporting, not antagonistic”. Religion has always held and continues to hold a central place in the determination of human behavior.

Subsequently, and more specifically two main questions arise: (a) why is Islamic banking not popular among Muslim consumers? especially that Islamic banking originates from a part of the world in which Islam is the predominant religion (Beloucif et al., 2017), and (b) what could be done by Islamic banks to attract more Muslim consumers and retain existing ones? The focus of this study is on shedding light on the Islamic banking phenomenon from a behavior perspective, taking Kuwait as a case study.

In a study based on the World Values Survey and conducted by the Gulf Opinion Center for Polls and Statistics (2014) in collaboration with Kuwait University (N=1302), when asked “...how important it is in your life?”, religion was important for 95.5% of the sample, after family (98.5%) and friends came in the third rank with 92.7% (p. 13). 65% indicated that “the only acceptable religion is my religion”, and 71% were of the opinion that “whenever science and religion conflict, religion is always right” (p. 14). Moreover, 67.1% consider themselves to be

religious, 18.9% indicated that they were not religious and 5% were non-believers (p. 15).

Banking is a highly competitive environment, and both bankers and customers need to have more information about Islamic banking on which to make enlightened banking purchase decisions. Hence, to remain competitive, it is necessary for Islamic banks to understand the consumer from a behavioral perspective, including their perceptions, knowledge, religiosity, and attitudes (Haron, Ahmad, and Planisek, 1994; Dusuki and Abdullah, 2006; Thambiah, Nathan and Eze, 2008; Loo, 2010). As Loo (2010) puts it nicely: “Islamic theory describes “how people, groups or governments should act in a perfect Islamic community” and the reality is that people do not act in this manner, and empirical testing is needed to understand how Muslims behave in the real world towards Islamic Banking” (p. 455).

While the literature about Islamic banking is growing, it remains mainly focused on the development, financial, operational, and policy aspects. A literature review conducted by Hassan and Sirajo (2016) acknowledges that: “The earlier literature of Islamic banking built a foundation using normative judgment, descriptive analysis, theoretical development, and appraisal of country experiences. Subsequent research focuses on the empirical investigations without extensive analytical and theoretical exploration in the area. Recent studies focus on the financial crisis, solvency, disclosure, and financial inclusion” (p. 1).

The authors offer suggestions for future research, but, surprisingly, no reference to consumer behavior research was mentioned, despite the dearth of literature in this area. According to Kaakeh (2018) behavioral finance is the new approach to finance studies in that it complements the theoretical and financial practical aspects of the phenomenon and related theories with the behavioral aspects of the market. He further supports that “the need to study Islamic banking from a different angle becomes essential” to enhancing the decision-making process for the benefits of



the markets (p. 15).

Therefore, literature focusing on the consumer side of Islamic banking remains comparatively negligible. For example, the first textbook about *Islamic Banking and Finance: Principle and Practice*, by Kabir Hassan, Kayed, and Oseni (2013), which is a commendable work, does not include one chapter about the consumer or consumer behavior. Similarly, Hassani and Lewis's (2007) *Handbook of Islamic Banking* containing 20 chapters includes only one chapter titled "Marketing of Islamic financial products", in which the authors give but a generic overview about the consumer. Moreover, of the existing academic papers focusing on the demand side of Islamic banking, a few could be said to have no merit or are at best confusing. While reviewing the literature, the present study argues that several studies confuse perception with attitudes and attitudes with behavior or use the concepts interchangeably. Furthermore, other publications suffer from a valid operationalization of the constructs under investigation. Accordingly, the present study hopes to fill in these gaps in the literature.

#### 1.1.5 Research geographical area

This study is situated in the consumer behavior field of study. Consumer behavior is complex for several reasons, including the difficulty of generalizing from the behavior of one consumer market to another and from one country to another (Solomon et al., 2014). For example, while there exists a plethora of textbooks about consumer behavior, Solomon and his colleagues find the urgency to develop a European edition based on the justification that "some of the general theory about the psychological or sociological influences on consumer behavior may be common to all Western cultures. On the one hand, some theories may be culturally specific" (Solomon et al., 2014, p. 4). The same could be argued for an Arab edition and a Muslim edition, etc. This is because, as Solomon and colleagues (2014) explain, "the ways in which people live their consumption life vary greatly from one European country to another, and sometimes even within different regions

of the same country” (p. 4).

Similarly, as consumer behavior is contextual, the present study will focus on understanding the behavior towards Islamic banking in Kuwait. Consumer behavior concerns the products and services people use in the marketplace and how these fit in their lives. Consumer behavior is cultural and socially based (Solomon et al., 2014). The authors define consumer behavior as a field that “covers a lot of ground: it is the study of the processes involved when individuals or groups select, purchase, use or dispose of products, services, ideas or experiences to satisfy needs and desires” (p. 6). Consumer behavior is an ongoing process which is impacted by many factors, and researchers approach consumer issues from different perspectives (Solomon et al., 2006). They further argue that a “consumer phenomenon can be studied in different ways and at different levels depending on the training and interests of the researchers studying it” (p. 24). Consumer behavior research can be approached from different scholarly disciplines, including experimental psychology, clinical psychology, microeconomics, macroeconomics, sociology, semiotics, demography, history, cultural anthropology, and social psychology.

#### 1.1.6 Research discipline

The disciplinary focus of this study is social psychology –examining how a product or service is perceived by individuals and how individuals’ perception, attitudes and behavior toward a product or service is influenced by their social and cultural environment (Solomon et al., 2014). Accordingly, the purpose of this study is to shed more light on Islamic banking from the perspective of examining the relationship between consumers’ choice of bank account (Islamic versus conventional), and their perception, knowledge, and religiosity, and assess the mediating role of attitudes towards Islamic banking. In doing so, the study hopes to offer recommendations to Islamic banks to retain existing customers and attract new ones.

The research rationale for this study is based on consistency theories, namely Heider’s

(1946) balance theory, Osgood and Tannenbaum's (1955) congruity theory, Festinger's (1964) cognitive dissonance theory. As supported by Awa and Nwuche (2020), "these are the three popular schools of thought that provide the foundational theories of cognitive consistency" (p. 44). These theories posit an interaction between affect (liking or disliking a stimulus), beliefs (cognitive interpretation of the stimulus), and behavioral intention (the tendency to respond either favorably or unfavorably towards the stimulus) (Awa and Nwuche, 2020). Citing Day (1973), "the authors observe that consistency theorists share the basic assumption that individual strives to achieve consistency within and between his cognition. Thus, man seeks to maintain cognitive consistency irrespective of the circumstances. Further, these theorists assume that inconsistency among cognitions creates psychological tension or discomfort (motivational state), which is disturbing in much the same way as any other drive state, such as thirst, and thus forces drive reduction action(s)" (p. 44-45). Moreover, two additional theories which were found to inform the findings of this study are Heider's attribution theory (1958), and more recently, the aintegration theory developed by Lomranz and Benyamini (2016).

Based on this theoretical background this study presents Figure 4, as a theoretical/foundational model to denote the congruous/incongruous relationship between Islam, Muslims, and Islamic banking, predicting the adopt of Islamic banking as a conduit to psychosocial balance in a Muslim sociocultural environment. Based on the study's findings, a modified version of this framework is presented later in the conclusion and recommendations section.

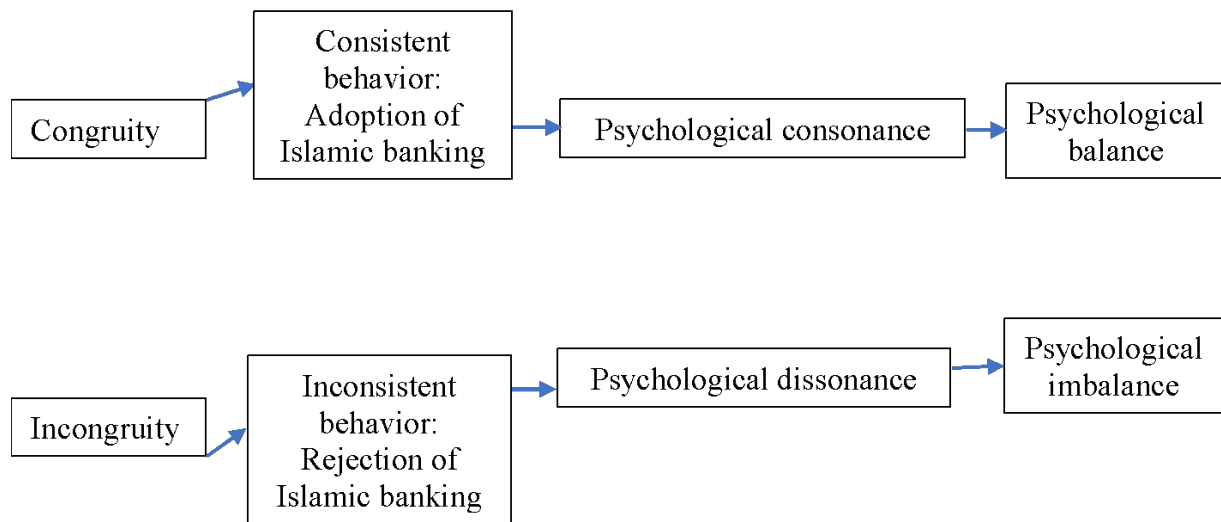


Figure 4. Adoption of Islamic Banking framework within the consistency theories.

Furthermore, researchers have started to focus on Islamic marketing and use Halal marketing as a marketing strategy perspective (e.g., Shah et al., 2019). In fact, *Journal of Islamic Marketing*, which was launched in 2010, has developed as a response to the growing demand for and supply of Halal products and services, and a call to effectively understand the Muslim markets. Thus, this study also hopes to contribute to the growing research about Islamic marketing.

#### 1.1.7 Problem Statement

According to the World Islamic Banking Competitiveness Report (2016), the pulse of the international Participation banking industry are the nine core markets -Bahrain, Qatar, Indonesia, Saudi Arabia, Malaysia, United Arab Emirates, Turkey, Kuwait and Pakistan. Together, they account for 93% of industry assets, estimated to exceed US\$920 billion in 2015. In 2015, the same report stated that the financial prospects and needs of emerging-market consumers tend to be much more volatile than those in developed markets.

This challenge has a growing global dimension for Islamic banks: entering new markets, optimizing operations across borders, finding the right differentiation (Elfakhani et al., 2007) and

seeking skills and funding from the global pools of talent and capital (Zainol et al., 2009; Khan, 2011; Ali et al., 2018). This means that Islamic banks are not only challenged internationally but also domestically (WIBCR, 2016). Earlier studies (e.g., Nienhaus, 1986) have also recognized the ongoing pressure on Islamic banks to compete with conventional banks (Dusuki and Abdullah, 2006; Elfakhani et al., 2007).

Islamic banking boasts a strong competitive advantage, which is its link to Shariah law. Muslims are guided by Shariah law which distinguishes between what is lawful/halal and what is unlawful/haram. Accordingly, there is the premise that if Islamic banks are congruent with Islamic values, Islamic banks should be attractive to many more Muslim consumers, especially that the number of the Muslim population worldwide is increasing, and that religion is so much important in their lives (see Figure 3). The word Muslim is here defined based on the extant religiosity of the persons in terms of their observance of Shariah values, on which the Islamic finance system and hence Islamic banking is founded. The premise is that Islamic banking as a new business model in the banking sector that emphasizes Islamic as its core competitive advantage should be most popular among Muslim consumers and consequently all Muslims should jump on the bandwagon of Islamic banking. Yet, growth of Islamic banks “has been constrained” although they offer many of the conventional banking products and services, share the same marketing challenges, and pursue similar marketing strategies (Elfakhani et al., 2007, p. 122; Kaakeh, 2018).

According to several commentators, Islam is not perceived by Muslims as merely a religion or a spiritual source. Rather, Islam is perceived as a complete way of life and a lifestyle shaped by values and affecting daily activities, including consumption patterns and purchase behavior. Thus, a conventional (secular) analysis of consumer behavior may not necessarily reflect the real attitude and behavior of Muslim consumers. Hamid, Ahmad and Rose (2015), for example, explore the

reasons why Muslim consumers in Malaysia choose Islamic banking. They conclude that people patronize Islamic banks primarily because of their religious commitment/compliance with shariah law. In their book about thirty years of Islamic banking in which they examine the history and performance of Islamic banking, Iqbal and Molyneux (2005) posit that the primary purpose of the establishment of Islamic banking has been to meet the needs of Muslim consumers. Islamic banking has developed to fill a gap in the business marketplace. This understanding clearly puts the religion component when studying Islamic banking under the spotlight (Marimuthu et al., 2010).

Other authors (e.g., Chong and Liu, 2009), in their scrutiny of Malaysia's Islamic banks, have, however, argued that, in practice, there is no principal difference between Islamic banks and conventional banks. Khan (2011) has also come to the same conclusion when he investigated other Muslim countries. Skeptics even find it legitimate to ask the question: since the fundamental values of the Islamic financial system are founded on the fundamentals of Sharia law, "to what extent are Islamic banks Islamic?" (Ibrahim, 2015). According to Ibrahim (2015), the question "are Islamic banks Islamic?" continues to intrigue many fronts, despite the fact that the core idea of the Islamic banking business is based on the principles of Islamic law, and that it is precisely that which positions it distinctly from the conventional banking in the mind of Muslim consumers (p. 186). Kuran (2004) and Khan (2010) also ask the same question. Islamic financing is based upon the principle that the use of *riba* (interest) is prohibited (Gerrard and Cunningham, 1997). This prohibition is based upon Sharia ruling, which precepts is used by Islamic banks as a competitive and comparative advantage against conventional banking. Therefore, it is common sense to opine like Rammal and Zurbruegg (2007) that "since Muslims cannot receive or pay interest, they are [in theory] unable to conduct business with conventional banks" (p. 2). The authors use the word

“unable” as rather a soft word for saying that according to Islamic law, Muslims are, in principle, strictly “forbidden” to purchase conventionally since a Halal alternative exists. To put this theorizing in perspective and to emphasize the irony of the matter, I will relate back to the quotes I presented in the introduction and which I have extracted directly from the Quran. According to these Quranic Ayats (Holy Quran: Surat AlBaqara, Ayat 286 and Ayat 287), people who engage in usury do not fear Allah, they are Satan followers, they will be inflicted with severe punished in the afterlife and will dwell eternally in hellfire. They will not be successful. A religious person, on the other hand, would be more religion-abiding and Sharia compliant (De Run et al., 2010).

Paradoxically, Islamic banking is not attractive to the majority of Muslims. According to Pew Research Center (2018), in the Asia-Pacific region, for instance, the share of those who say religion is very important in their daily lives is highest in Muslim-majority countries such as Pakistan (94%), Indonesia (93%) and Afghanistan (92%). In these countries, more than 90% say religion is very important (Figure 5). According to this map, even Muslims living in a non-majority Muslim country (e.g., US 66%, France 54%, Russia 43%, Bulgaria 33%) acknowledge the high importance of Islam in their lives.

In other words, also based on the assumptions of consistency theories, namely Heider’s (1946) balance theory, Osgood and Tannenbaum’s (1955) congruity theory, Festinger’s (1964) cognitive dissonance theory, and more recently, Omaranz and Benjamini (2016) aintegration theory, if Islamic banking is congruous with Islamic law, and Islam is a way of life for Muslims to live the good life as prescribed by Allah, then, in practice, the business of banking for Muslims must take place in Islamic banks and not in conventional banks. Islamic banking offers Muslims the opportunity to do halal banking in accordance with Sharia law. Therefore, ontologically, the logical alternative for Muslims bank consumers is to turn to halal banking -purchase halal banking

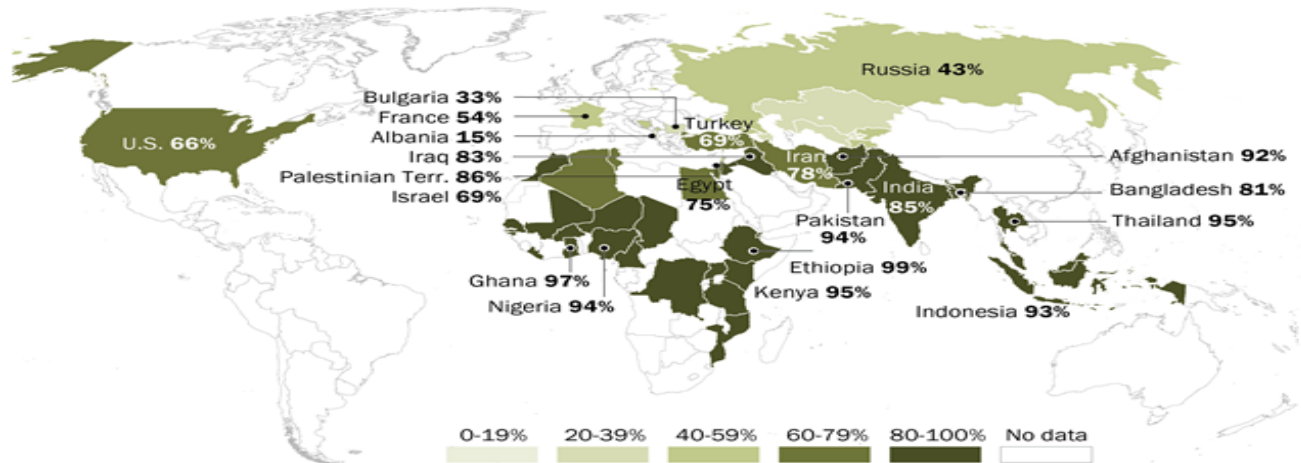
products and services aligns with patronizing Islamic banks.

The critique of this lens puts Muslims as consumers in the spotlight. Malik and Ullah (2020) submit that the more people know about the Islamic banking principles the higher compliance and accountability before God and the more the adherence to Islamic banking. In addition, according to many authors, religious commitment has a big influence on consumer behavior (Nora, 2019; Mansour and Diab, 2016; Mathras et al., 2016). Salam, Muhamad and leong (2019) performed an extensive literature review and support religiosity as an important factor influencing customer loyalty towards Islamic banking (also Suhartanto, Gan, Sarah, and Setiawan, 2019). On the other hand, El and Ragab (2018), for example, argue that Muslim does not necessarily mean that an individual adheres to Sharia laws about consumption. Worthington (2008) explore the attitudes of individuals, businesses, firms, and financial institutions in 22 related papers and highlights that the level of understanding of religious beliefs affecting purchase decision-making of Islamic products and services is still very low.

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### Among Muslims, religion most important in Africa, Middle East, South Asia

*% of Muslims who say religion is very important in their lives*



Source: Pew Research Center surveys, 2008 to 2017.  
"The Age Gap in Religion Around the World"

PEW RESEARCH CENTER

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Figure 5. religion importance to Muslims around the world.



According to the Islamic Bank of Bahrain's (2019) study, Islamic banks have, in their turn, also been criticized for several reasons. Overall, there is a tendency to believe that the majority of Islamic banking is done on an interest-based level under a different cover (Al Shaikh, 2019), and is often perceived to be more expensive than conventional banking (Khan, 2010). The basic argument advanced here is that Islamic banking does not differ from conventional banking; it only uses different terminologies while it offers almost identical services to its customers (Khan, 2010), even often at a higher price (Morais, 2007). Similarly, Kuran (2004) argues that the difference between Islamic banking and conventional banking rests only in the name.

Furthermore, there is also the universal belief that in business practice every bank aims to make profit for its sustainability and growth and Islamic banking is no exception (Volk and Pudelko, 2010; Dusuki and Abdullah, 2006). Moreover, Abduh and Omar (2010), for example, submit that Islamic banking is not driven by religion, while Slimene et al. (2014) also propose that religion is not the primary motivating factor for customers to select the bank they patronize. Lateh et al. (2009) wrap up the controversy surrounding Islamic banking by submitting that the preference for Islamic banking is rather country dependent –Islamic banking performs better in some Muslim countries and less in others.

Other researchers argue that banks' performance is influenced by perception (Butt et al., 2018), and that the perception of Muslims about Islamic banking can be positive or negative. Perception can be related to several theses, including history, religious belief, financial crisis, corporate ability, ethics, and knowledge. These factors affect consumers' intention to choose Islamic banking (also Whayuni and Fitria, 2017; Ali et al., 2017). The Islamic Bank of Bahrain (Al Shaikh, 2019) conducted a study to assess the misconceptions about Islamic banking and generated 60 perception statements about Islamic banking.

Perception denotes the validity and credibility of Islamic banking (Ali et al., 2018) and can have an influence on consumers; switching behavior. Furthermore, reports also argue that the choice of Islamic banking over traditional banking also depends on the knowledge that consumers have about its products. According to several authors (e.g., Beloucif et al., 2017; Belwal et al., 2019), customers of Islamic banking lack knowledge about Islamic banking principles and products. In fact, Kandemir and colleagues (2019) assert that consumers with different levels of knowledge behave differently.

Previous studies also support the importance of knowledge as one of the factors affecting the patronage of Islamic banking (Erol et al., 1990; Ahmad and Haron, 2002). Nora (2019), on the other hand, argues that consumers' knowledge about Islamic banking does not matter as much as the bank knows how to respond to the needs and satisfaction of customers.

Based on this controversial background, where it is clear that Islamic banking is mired with negative perceptions associated, among others, with *ancient* financial fraud, a weak image, lack of knowledge, and perceived divergence from Sharia law, the problem statement of this study presents itself thusly: To what extent is religiosity, perception, and knowledge a determinant factor for Muslim consumers to patronize Islamic banks? Specifically, the study examines the relationship between consumers' perception, attitude, religiosity, and the purchase of Islamic banking products and services with the role of attitude as a mediating variable. To add more width to this understanding, the study examines this relationship from different consumer groups, namely patrons of Islamic banks, patrons of conventional banks, and those holding an account in both banking systems. Furthermore, and adjacently, to give more depth to the analysis, the study tries to shed more light on the ambivalent attitude of Muslim consumers towards Islamic banks, guided the postulates of consistency theories (Heider, 1958) as a theoretical background.

The goal of this research is to contribute to the debate about Islamic banking from a consumer behavior perspective and offer specific recommendations to Islamic banks in Kuwait to remain competitive, influence purchase decision, improve customer retention, and support growth. Results of this study may also be of value to the traditional banks wanting to adopt Islamic banking principles or diversify their product portfolio. The study has also theoretical implications.

## 1.2 Research Questions

Based on the literature about Islamic banking, and drawing from research in social psychology and rooted in congruity theory, this study tries to find out why Muslim consumers in Muslim-majority countries do not patronize Islamic banks, from a consumer behavior perspective. In accordance with the literature, the following research questions have been developed to guide the study's problem statement:

- a. To what extent does perception, knowledge, and religiosity influence the purchase of Islamic banks products and services in Kuwait?
- b. To what extent does attitude mediate the relationship between perception, knowledge, religiosity, and the choice of bank account?
- c. What variables discriminate the most between Islamic banking customers and conventional banking customers?
- d. Are there differences in the variables between those who switched and those who did not?
- e. In light of consistency theories, how do Muslim consumers feel about Islamic banking?
- f. What recommendations can be given to Islamic banks to enhance their competitiveness?

## 1.3 Research Objectives

According to Pew Research Center's Forum on Religion & Public Life, "The world's Muslim population is expected to increase by about 35% in the next 20 years, rising from 1.6 billion in 2010 to 2.2 billion by 2030. The premised positive connection between Islam, Muslim consumers,

and Islamic banking implies consistency between the three elements. Congruity theory (Festinger, 1957) suggests the right fit between the elements of the triad, in that Islam, as a way of life, demands that Muslims comply with the Sharia or the fundamental rules of the religion, on which Islamic banking has been founded, as the name connotes. Paradoxically, as the statistics show, Islamic banking is less popular than conventional banking in more than 40 Muslim-majority countries. Islamic banking is (half) popular only in the GCC. The irony of Muslims not patronizing Islamic banking and the paradox of the unpopularity of Islamic banking in Muslim countries behooves the reader to:

- understand the Islamic banking phenomenon from the perception, knowledge, religiosity, and attitude of different consumer groups, namely those who patronize Islamic banks, those who patronize traditional banks, those who hold accounts in both banking systems, and those who switched from Islamic banking to conventional banking,
- find out which variable discriminate the most between the three consumer groups,
- test a predictive that examines the effect of perception, knowledge, religiosity on the purchase of Islamic banking, and the mediating role of attitude,
- explain the ambivalence attitude of Muslim consumers towards Islamic bank in light of consistency theories, and finally
- develop strategies on how to promote and improve the image of Islamic banks in Muslim countries.

#### 1.4 Study's hypotheses and conceptual model

A series of hypotheses were developed based on the literature to test the generated model. The study hypotheses are based on the following conceptual model (Figure 6):

Based on the literature, a series of hypotheses was developed to test the generated model. Subsequently, the study's hypotheses are based on the following conceptual model (Figure 6):

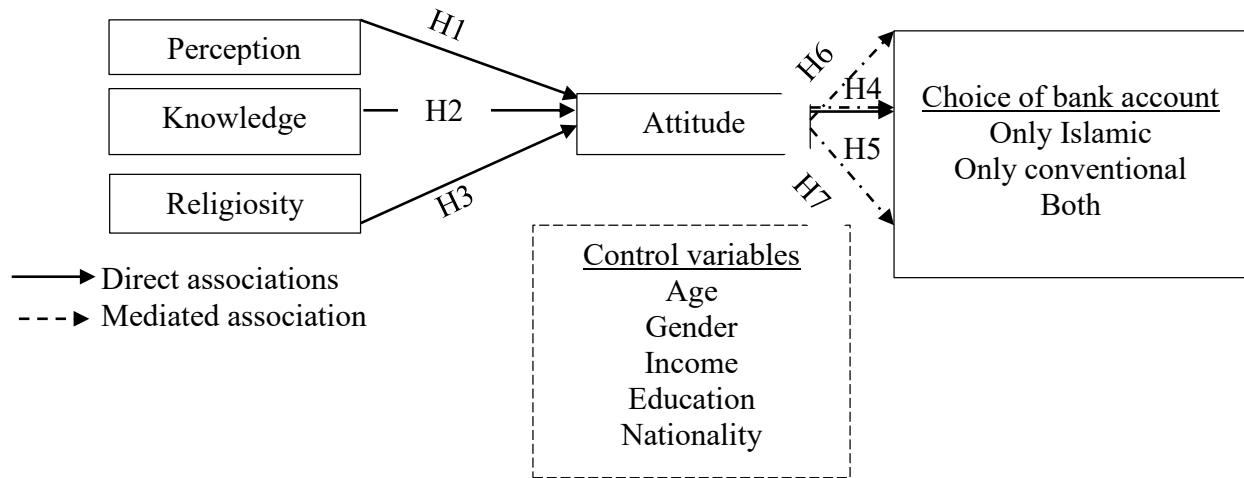


Figure 6. The Conceptual model for understanding consumers' purchase behavior towards Islamic banking.

As explained earlier, this conceptual model can be linked to consistency theories of consumer behavior. For example, based on *balance theory* (Heider, 1958), it is hypothesized that consumers' behavior toward Islamic banking depends on how Muslim consumers perceive Islamic banking, the knowledge that they have about its principles and products, their religiosity, and attitude formation towards it. Balance theory is explained in the relationship between the independent variables (perception, knowledge, and religiosity, the mediating variable (attitude), and the dependent/outcome variable (choice of bank account type). According to Solomon and colleagues (2014, p. 151), balance theory "helps to explain a number of consumer behavior phenomena (...). balance theory reminds us that when perceptions are balanced, attitude are likely to be stable. On the other hand, when inconsistencies are observed we are more likely to observe changes in attitude". Consistency between perception and attitude encourages or discourages behavior. A

person's decision to act on his/her attitude is shaped by how the product is perceived, and evaluation of attitude towards a product influences purchase behavior. Accordingly, the study's core hypotheses (Figure 6) are formulated as follows:

H1. There is a statistically significant association between the perception that consumers have of Islamic banking and their attitudes towards Islamic banking.

H2. There is a statistically significant association between the knowledge that consumers have about Islamic banking and their attitudes towards Islamic banking.

H3. There is a statistically significant association between the religiosity of consumers and their attitudes towards Islamic banking.

H4. Consumers' attitudes towards Islamic banking predicts the choice of their bank account type

H5. Attitude mediates the association between knowledge and account type choice.

H6. Attitude mediates the association between religiosity and account type choice.

H7. Attitude mediates the association between perception and account type choice.

### 1.5 Study limitations

Like any other study this study has also a few limitations. First, the sample size is relatively smaller (N=376) compared to the targeted number of cases. Some respondents skipped many questions in the instrument, which has led to the deletion of the whole case from the analysis. As reported by Dong and Peng (2013), "Missing data are a rule rather than an exception in quantitative research. Enders (2003) stated that a missing rate of 15% to 20% was common in educational and psychological studies. Peng et al. (2006) surveyed quantitative studies published from 1998 to 2004 in 11 education and psychology journals. They found that 36% of studies had no missing data, 48% had missing data, and about 16% cannot be determined" (p. 1).

Failing to treat missing data properly can cause serious problems, such as introducing

potential bias in parameter estimation and weakening the generalizability of the results, and loss of information which in turn decreases statistical power...” (Dong and Peng, 2013, p. 2). These authors further argue: “Failing to edit the data properly can make the data unsuitable for a statistical procedure and the statistical analyses vulnerable to violations of assumptions” (p. 2). There is no agreed upon cutoff from the literature concerning an acceptable percentage of missing data set for valid statistical analysis (Hair et al., 1997). However, it is more common that 5% is the threshold. Accordingly, in this study, all the questionnaires with 5% or more missing data were thrown away. According to Hair et al. (1997), “throwing away data” can lead to estimates with larger standard errors due to reduced sample size. Therefore, the interpretation of the data should be considered cautiously. Skipping questions can happen randomly or non-randomly.

It is believed in this study that respondents might have deliberately skipped questions or failed to complete the questionnaire for two main reasons: (a) the sensitivity of the topic -both religiosity and banking are personal matters. As argued by Hair and colleagues (1997), refusal to respond to certain questions is “common in sensitive nature (e.g., income or controversial issues) and (b) the length of the instrument. The authors further explain that “when the missing data occur in random pattern, remedies may be available to mitigate their effect” and support that the “simplest and most direct approach for dealing with missing data is to include only those observations with complete data, also known as the complete case approach” (pp. 49-51). This can be the best-case scenario if the sample is sufficiently large to allow for deletion of the cases with missing data. On the other hand, as will be explained in the results chapter, considering that of a total of 96 variables included in the questionnaire only 30 strong variables were retained for the analyses to represent the five constructs under investigation.

According to Hair et al. (1997), “As a general rule, the minimum [sample size] is to have

at least five times as many observations as there are variables to be analyzed, and the more acceptable size would have a ten-to-one ration” (p. 98). The authors further submit that in addition to the overall sample size, the researcher must also consider the sample size of each group, for “at the minimum, the smallest group size must exceed the number of independent variables” (p. 258). The caveat here is that relative to the study’s sample size, the results should be interpreted cautiously.

Furthermore, it is also important to mention the potentiality of social desirability bias in research. Comrey (1988) argues that social desirability, participants’ sensitivity, and perceived offensiveness of certain statements is also an issue concerning religious scale construction, which needs to be taken into consideration when developing a scale.

According Babbie and Babbie (1995), to avoid social desirability bias the interviewer must emphasize the anonymity of the participants and avoid asking sensitive questions in the beginning, which was indicated in the survey’s cover letter. Moreover, it is also important to note that data collection took place during the surge of the COVID19 pandemic, which might have affected the research in one way or another.

### 1.6 Study delimitation

This study was delimited to Islamic banking in Kuwait. Therefore, generalization of the findings to other Muslim countries or Arab countries, including other GCC countries should be considered cautiously, despite existing between country similarities, namely the role of religion in Muslim people’s lives. This argument is based on Solomon et al. (2006) who also argue that consumer behavior is cultural and contextual. Furthermore, as I am a Kuwaiti national, conveniently, it was more appropriate for me to focus on Kuwait, especially that Islamic banking, as the data show, is not as popular as conventional banking or as Islamic banks would like it to be.



### 1.7 Significance of the study

Despite a growing interest in Islamic banking by Muslims, the number of Islamic banking customers is comparatively lagging behind that of traditional banks, and this presents a concern for Islamic banks. Furthermore, many large international conventional banks have started to compete with Islamic banks by opening branches which offer Islamic banking services. Also, the number of Islamic banks has increased causing competition among Islamic banks themselves. Consequently, new regulations, policies, and accounting standards are designed to accommodate these changes (Derbel et al., 2011). Due to increased competition between Islamic banks and conventional banks and among Islamic banks, it becomes important to understand the attitudes of consumers toward Islamic banking to increase the competitiveness of Islamic banks. Thus, this study has theoretical and practical implications. From a theoretical perspective, this study's contribution to the literature on Islamic banking and consumer behavior is threefold:

(1) besides this study, no other study has investigated the relationship between perception, knowledge, religiosity, attitudes, and bank account choice (three bank account consumer groups: Islamic bank consumers, conventional bank consumers, and consumers holding an account both in an Islamic bank and in a conventional bank in Kuwait),

(2) this study is the first to compare the perceptions, knowledge, religiosity, and attitudes of three segment groups (Islamic bank holders, non-Islamic bank holders, and holders of both accounts) simultaneously,

(3) this study focuses on an oil-rich Arab country with a majority Muslim population and, more importantly,

(4) this study is the first to relate back to consistency theories as a theoretical background to shed more light on understanding the ambivalent attitude of Muslims towards Islamic banks. According to Solomon et al. (2014), "one organizing principle of attitude formation is the importance of

consistency among attitudinal components -that is, some parts of an attitude may be altered to conform with others. Such theoretical approaches to attitude as cognitive dissonance theory, balance theory and congruity theory stress the vital role of consistency” (p. 151)

From a practical perspective, as Alfakhani and colleagues (2007) argued, “In this environment, Islamic banks have to formulate and implement successful marketing strategies in which a key ingredient is a clear understanding of the behavior, attitudes and perceptions of their clients” (p. 122). Hence. practical implication will be offered based on the study findings and conclusions. It has been supported that data about consumers present marketers with marketing opportunities, and “help marketers to define the market and to identify threats and opportunities in their own and other countries that will affect how consumers receive the product” (Solomon et al., 2006, p. 9).

Therefore, the results of the quantitative research phase and the findings of the qualitative research phase will provide researchers and practitioners with a comprehensive understanding of this banking phenomenon. Drawing on expectancy theory, Mandler (1982) argues that people like objects that conform to their expectations. The overall findings may be instrumental to rectify the ambivalent attitude towards Islamic banking.

#### 1.8 Structure of the thesis and chapters overview

The content of this thesis is structured as follows: Chapter 1, introduces the problem statement of the study, and includes the study’s research questions, research objectives, theoretical framework, hypotheses and conceptual model, study’s delimitation, and the significance of the study. Chapter 2, contains a review of pertinent literature, including an introduction to Islamic finance and terminologies, an overview of Islamic banking with a discussion of the differences between Islamic banking and tradition/conventional banking. A discussion of banks’ efficiency and competition follows. This chapter ends with a discussion of consistency theory. Chapter 3,

discusses the research methodology employed in the study, and delineates the research designs employed in the first research phase and the second research phase. It also contains a discussion of the different research views, the qualitative research design including the mixed-mode research design and the case study research. The quantitative research part contains a description of the study variables, the conceptual model, and the measurement of the constructs. Chapter 4, contains the quantitative results, including the between-group comparison, discriminant analysis, logistic regression, and the concomitant results. Chapter 5, contains the qualitative results, delineating the strongest themes that emerged from the interviews. Chapter 6, contains the summary and conclusions, whereas Chapter 7, includes a discussion and conclusions.

### 1.9 Chapter 1 summary

Islamic banking signifies alignment between Islam, Muslims, and banking, in contrast to traditional banking (Lateh et al., 2009). Still, there still uncertainty about Islamic banking, according to a 2019 report from the Islamic Bank of Bahrain. Muslim customers dislike Islamic banks in part because of this ambiguity.

Islamic banking is thought to have benefited from the expansion of ethical banking. According to several academics, ethical banking is the foundation of modern Islamic banking (Dhumale and Sapcanin, 2002; Lewison, 1999).

Islamic Sharia is a system of laws and moral guidelines that Muslims must abide by, dictating acceptable behavior and denouncing unacceptable behavior. The cornerstone of Islamic banking operations is the Islamic finance roles, which are fundamentally sound financial concepts that must be compliant with Sharia law. The history of sharia dates back more than 1400 years. In Islam, all actions should be in accordance with Sharia law, whether they are private, like worshiping Allah, or public, like social, business, or political activities.

Furthermore, the data also shows that even the participating Islamic banks are trailing their conventional banking counterparts in market share, which amply illustrates how unpopular Islamic banking is with Muslims in Muslim nations. This remark implies that there is a kind of déjà vu with Islamic banking, which hinders its ability to enter additional Muslim markets and gain a reasonable portion of the banking industry overall.

Given this contentious context, the goal of this research is to examine Islamic banking from the standpoint of consumer behavior in order to comprehend consumer attitudes and purchasing patterns toward Islamic banking using consistency theory (Heider, 1958). The study's issue statement is as follows: How much do Muslim customers' perceptions, knowledge, and religiosity influence their decision to use Islamic banks? In particular, the study looks at how customers' perceptions, attitudes, and levels of religiosity relate to their purchases of Islamic banking goods and services, with attitude acting as a mediating factor.

The following research questions have been created to direct the problem statement of the study:

- How much does perception, knowledge, and religiosity affect Kuwaiti consumers' decisions to buy goods and services from Islamic banks?
- What degree of mediation does attitude provide in the interactions between perception, knowledge, religiosity, and bank account choice?
- Which factors distinguish Islamic banking clients from those of regular banks the most?
- Are the factors different for the people who switched and the people who didn't?
- Considering consistency theories, what are the opinions of Muslim customers regarding Islamic banking?
- What tips can be offered to Islamic banks in order to improve their competitiveness?

This study's discipline focus is social psychology, which looks at how people view products and services and how their social and cultural surroundings affect people's perceptions, attitudes, and behavior toward them (Solomon et al., 2014).

As a result, the goal of this research is to clarify the topic of Islamic banking by investigating the connections between customers' perceptions, knowledge, and religiosity and their choice of bank account (Islamic versus conventional), as well as the mediating effect of attitudes toward Islamic banking. By doing this, the study seeks to provide Islamic banks with suggestions on how to draw in new clients and keep hold of their current ones.

## CHAPTER 2. LITERATURE REVIEW

According to Creswell (2014), a literature review provides a framework for justifying the rationale of the study. A review of the literature depends on whether the study follows a quantitative, qualitative, or mixed research approach. In the case of this study, which uses a mixed-mode research method approach, the literature review plays a major role in justifying the rationale for the research, identifying the purpose of the study, and offering a theoretical background which can help in the understanding of the results (Creswell, 2014). The literature can be used to identify the questions to be asked and to inform the hypotheses. Literature reviews in quantitative research are more comprehensive and more detailed than is the case in qualitative research. While the literature review can take several forms, Creswell (2014) explains that in a thesis, it serves to identify the central issue in the field. As such, the literature review starts from identifying general topics to narrower ones. As this study follows a quantitative research design, the literature review will be deductive rather than inductive. That is, existing research related to Islamic banking will be identified and discussed, which will inform the present research.

Accordingly, the literature will start with providing an overview of Islamic finance, followed with an overview of Islamic banking with a focus on a comparison between the latter and conventional banking as well as its critique and a selection of case studies. After this general introduction, a more focused attempt will serve as a theoretical background on which to develop the conceptual model and study's hypotheses. The conceptual model, as depicted in Figure 6, identifies the constructs that will be researched, namely perception of Islamic banking, its measurement; knowledge about Islamic banking, and its measurement; religiosity of consumers, and its measurement; then attitudes towards Islamic banking, and its measurement; and finally purchase behavior towards Islamic banking, including a section about demographic variables that

affect the purchase of Islamic banking products and services. Furthermore, Creswell (2014) explains that “one component of reviewing the literature is to determine what theories might be used to explore the questions in a scholarly study” (p. 83). Therefore, consumer behavior theories linked to cognitive consistency, namely Heider’s (1957) balance theory, Osgood and Tannenbaum’s (1955) congruity theory, and Festinger’s (1964/1958) cognitive dissonance theory, will be discussed, as these theories inform the study about the behavior of consumers. Accordingly, for ease of presentation, the literature review chapter will be split into two sub-chapters, wherein the first part will be about presenting a general research background to the study, and the second part’s focus will be on a theoretical background and hypotheses development.

## ISLAMIC BANKING RESEARCH BACKGROUND

### 2.1 Islamic Finance: An overview

The Islamic banking system is part of general Islamic finance models and an approach of economic activities that is built around the rules of Islamic laws or *Sharia* (Bizri, 2014). Islamic Finance and Economics were officially acknowledged as a discipline in the first Global Conference of Islamic Banks (Kabir et al., 2013). Its primary target was to persuade and enable the economists, corporate governance specialists, financiers, politicians as well as the legal experts to familiarize with the standards of Islamic finance. The Islamic Corporate Governance (ICG) is a foundation that bridges both the material and spiritual ethics, aiming to produce fair socio-financial systems. Generally, the intention of any company is to minimize the cost of the product and maximizing the profit margin (Aldohni, 2014). It also creates a room for moral and ethical principles during business processes. The mandate of Muslim industrialists is not to merely focus on earning profits or returns but make sure to contribute to the wellbeing of the community (Nugraheni et al., 2017). This results in parting of the control and ownership privileges in Islamic economic organization. Additionally,

the Islamic economic currency differs from the conventional sector (Buberkokoku, 2018 p. 36). This is so, because of the effort made by formulating contracts comprising profit sharing, justice participation as well as loss sharing instead of offering a fixed amount of cash to the clients. However, the Islamic banks offer credits to their stockholders in various shares depending on the profit margins of the firm including the hazards experienced by the account holders. Hence, Islamic banks function under the following guidelines:

*Interest-Free Lending:* The vital law in Muslim faith banking system is the prohibition of charging interest (Bizri, 2014). In financial language, it states that the investor and the debtors are prohibited from giving and receiving money-based interests or *Riba*. Sharia abiding financial institutions are not giving loans with interest. This led to a major concern, which is the way Islamic financial institutions utilize to earn returns. In place of loaning their customers at an interest, they purchase the basic merchandise like refrigerator, the house and the car, and then lease or sell it on partly payments to the customer for an amount above the purchasing price (Izhara and Asutay, 2010). Risk distribution is the main objective of Islamic banks. The Islamic financial institutions earn revenue on the business by distributing risks. The Islamic financial institutions use the client's cash to get goods like items or establishments. They are rewarded when the money is paid back well. The whole Sharia-complaint economic funds, purchases and sales are supposed to show Muslim faith principles. Trading in activities which are not Sharia-compliant, such as gambling, manufacturing arms, rearing pigs or selling alcohol is not allowed under Sharia law (Izhara and Asutay, 2010). As mentioned earlier, Islamic religion does not reject monetary investment as an element of invention, but it rejects it as a merit of reward (Ahmad and Ansary, 2017). Sharia rules encourage the proprietors of monetary resources to actively seek economic benefit but prohibits them from making profits based on the mere process of lending. In other words, shareholders in



the Islamic investment structure have no authority to ask for a static value of profit. None has a right to any increase in the primary amount in case they do not participate in the risks of the business (Kabir Hassan, Sanchez, and Faisal Safa, 2013). In general, Islamic financial institutions are having similar goals as conservative financial institutions, but with a different approach to profit-making and risk distribution.

The primary rule of Islamic financial institution is to share profit and losses. Among the common Sharia-based processes utilized in Islamic financial institutions are leasing (Ijarah), cost plus (Murabahah), joint venture (Musharakah) and gained division (Mudharabah). This notion is usually put into use for corporate companies or combined undertakings. The gains realized are divided on a decided value. The losses experienced shall be shared based on the capital contribution ratio to the businesses (Suzuki and Sohrab Uddin, 2014 pp.172-176). This notion is different from fixed-income financing (like issuing loans).

*Profit loss sharing (Mudharabah):* Mudharabah is an organization or contract amongst an investor and a financier, whereby the financier is able to organize resources for its trade activities (Kholvadia, 2017 pp. 66-70). Any gains realized will be divided amongst the investors and the financiers in accordance with a decided ratio. The partners divide gains. Just investment provider takes up all the losses if realized. The gainsharing lasts until the credit is paid (Fakhfekh and Hachicha, 2016). The financial institution's gain originates from a value of floating-point profits that is attached to the gains of debtors.

*Cost plus (Murabahah):* This notion denotes the selling of products at amounts that include returns rate decided to by the partners involved (Aziz and Mohamad, 2016). The buying and marketing costs, other amounts and the gain rate must be openly specified at the period of the deal.

The financial institution is recompensed for the time rate of its cash in terms of the returns rate. It is a fixed-income credit for the buying of properties (like vehicle or real estate), with a static value of financial penalty determined by the returns rate (Baba and Amin, 2009). The financial institution is not able to charge extra financial interests on delayed costs, though the asset is left in the possession of the financial institution until the credit is repaid fully.

*Hire purchase:* There are two agreements used under this notion. The first agreement is Ijarah agreement (renting/leasing), and the second agreement is Bai agreement (buying). The two are made interchangeably (Ahmed et al., 2017). For instance, in motor vehicle financing facilities, a client gets into the original agreement and hires the motor vehicle from the proprietor (financial institution) at a decided charge over a particular era. After the hire period has elapsed, the second agreement starts working. It helps the client to buy the car at a decided amount. In return, the financial institution sells the good to the borrower, at a higher market-price returns rate (Ergec, et al., 2016). In return for accepting to get the money over periods of time; the rate of return is equal to financial penalty gotten at a fixed amount of profit.

*Avoiding Interest Pays Off:* This method that follows specific rules to commerce partially gives reason to the accomplishment of Muslim faith financial institutions at a point where many clients have lost faith in the economic method (Mansoor Khan and Bhatti, 2008). Due to the fact that Muslim rule believes that wealth creation from cash is unacceptable, Sharia-following bodies incline to abstain from involving themselves in speculating. Usually they shun copied tools like options or futures and choose having properties on grounds of physical money. It has been suggested that different from their conservative colleagues Sharia-following financial institutions are not involving themselves with harmful properties (Khan, 2011).

*Observance of Sharia codes:* This prohibits Islam faith financial institutions from buying the type of tools, which are having adverse effect on their rival (Ahmad and Ansary, 2017). Observance of Sharia codes helps in containing the effect of the disaster on Islam faith financial institutions. The Islamic financial institutions and banks work in agreement with the instructions of Sharia, called “Islamic regulation on transaction”.

## 2.2 Islamic Banking: An overview

The institute of banking and Insurance defines “an Islamic banking system as a system where transactions and activities are consistent with Islamic law or *Sharia’a*. The institute argues that while Islamic banks have the same purpose as conventional banks, they operate by emphasizing the moral and the ethical values which encourage equality and the development of economies” (Bitar, 2014, p. 7). There are multiple definitions for Islamic banks. For example, Al Najar (1980) defines Islamic bank as “an institution to collect money and employ them according to Islamic law in order to serve the solidarity of Islamic society, achieve fair distribution, and putting money in Islamic path” (Alani, 2013). It is regarded as an interest free system based on profit and loss sharing (PLS) principles. It emerged in the late twentieth century and has expanded in the last 20 years (Akbar et al., 2012). The Dubai Islamic bank, the oldest Islamic commercial bank, defines Islamic banks as follows: “*Islamic banking, enlightened with the guidance of Islamic Sharia principles, emerged as an alternative financial system that neither gave nor took interest, thereby introducing a fair system of social justice and equality, while fulfilling the financial needs of people and maintaining high standards of ethics, transparency and a sense of responsibility*” (Jones et al., 2014, p. 8).

According to Lewis and Algaoud (2001), Islamic banking commonly known as non-interest banks, are systems of banks, which are founded on the Sharia laws and Islamic principles and directed by Islamic finances. The two elementary Islamic banking philosophies are the

prohibitions of the payments and collections of interests from financiers and creditors and the sharing of losses and profits. Islamic laws prohibit collections of “riba” or interests.

Sharia-compliant or Islamic finances or Islamic banking is banking or financing activities, which adhere to Islamic or Sharia laws and their practical applications through Islamic economics developments (Mansoor Khan and Bhatti, 2008). Having said this, Islamic banking plays an important dual function in the economy of a country as financial intermediary and in the society (Muhammad and Triharyono, 2019). Some of the Islamic finance/banking modes include leasing (Ijara), cost-plus (Murabahah), joint ventures (Musharaka), safekeeping (Wadiah), and loss bearing and profit sharing (Mudarabah), which means that they share the profits or losses of the clients’ business investments leading this banking system to be more careful when choosing a business to be financed (Muhammad and Triharyono, 2019). Islamic laws forbid usury or riba, described as interests charged on all credits of money (Bouheni and Ammi, 2015).

It is important to remember that Sharia principles are not simply a prohibition of interest; they are also designed to avoid unethical practices, the need to ensure that investments be undertaken on the basis of halal (permitted) activities, and the requirement to benefit society through the collection of Zakat (almsgiving). Other prohibitions of Sharia laws include maysir (gambling, speculation) and gharar (unreasonable uncertainty). Investments in business activities which offer services or goods viewed contrary to Islamic laws or principles such as alcohol or pork are also prohibited and sinful (haraam). Hence, any company that partakes in such activities is considered unlawful. Hence, there is more to Islamic banking than the issue of interest rate. Islamic financial institutions are not allowed under any situation to fund ventures disagreeing with the codes of the Islamic faith (Othman and Ameer, 2015).

For example, they are prohibited from funding ventures that contradict the Islamic value method, like funding a casino, nightclubs, a brewery, or any other acts banned by Islamic laws or viewed harmful to the general public (Rashid et al., 2013). Companies selling banned merchandises or amenities are not supposed to have accounts in Islamic financial institutions. Although financial institutions are able to freely check customer “suitability” if they are having rigorous processes in place, inspecting secluded accounts and specific customers are likely to be more problematic. For example, proving whether a secluded customer’s finance originates from money laundering, gambling, or other banned doings is likely to be difficult (Siddiqui, 2008). Some commentators assert that Sharia compliance does not only mean complying with Islamic law which is based on the Quran and which major tenant is prohibition of charging and receiving interest/Riba (Volk and Pudelko, 2010), but Shariah also forbids investment in businesses that are in contradiction with Islamic belief such as the production, selling and consumption of alcoholic products and related services, engaging in gambling activities, and eating pork products. Such finance investments are considered forbidden/haram by Shariah law (Rammal and Zurbruegg, 2007).

Transparency is also an important criterion for Islamic banking. Most Islamic banks have concentrated more on disclosing information (Hassan and Syafri Harahap, 2010). The Quran uses mostly the word of account, meaning all the people are accountable to Allah Almighty who has given the abundant blessings to man in order for him to run financial and economic processes with honesty and in fairness. The responsibility is there for the whole society. The needed information of an individual should be concise and clear to enable the sustenance of the truth within the company (Rashid et al., 2013).

Thus, transparency is considered vital for any honest dealings and for ethical business to take place. Accordingly, banks are audited to ensure that each activity executed within the firm is compliant with Sharia law (Ghayad, 2008). Audit also formulates a report with a capacity to inform the investor about whether the firm is complying with Sharia rules or not (Hassan et al., 2013).

Previous studies suggest that a deeper appreciation of Islam can be advantageous to executives conducting business with Muslims (Rice, 1999). A few Islamic concepts must be defined to fulfill this purpose. In Islam, unity, justice, and trusteeship are directly linked to business. Regarding *Unity (tawhid)*, the key to the business philosophy of Islam lies in a person's relationship with God, His universe and His people. In common with other revealed religions is the moral appeal to humans to surrender themselves to the will of God. Islam goes beyond this exhortation and teaches that all life is essentially a unity because it also provides the practical way to pattern all facets of human life in accordance with God's will. There should be unity of ideas and actions in a person's existence and consciousness. Islam is simply a program of life in accord with the "laws of nature" decreed by God. A definite relationship between fellow humans is thus prescribed in what Abu-Sulayman (1976) refers to as the relationship of brotherhood or sisterhood and equality. When it comes to *Justice (adalah)*, Islam is absolutely unambiguous in its objective of eradicating from society all traces of inequity, injustice, exploitation and oppression. As for *Trusteeship (khilafah)*, people are viewed as trustees of the earth on behalf of God. This does not mean a negation of private property but does have some important implications. No inhibitions attach to economic enterprise and people are encouraged to avail themselves of all opportunities available.

There is no conflict between the moral and socio-economic requirements of life. As such, it becomes important to compare Islamic banking with conventional banking, since it is all the

above-mentioned attributes that make it distinguishable from its counterpart, such that it is positioned in the mind of customers as Halal banking, banking which is conform with Sharia law.

#### 2.2.1 Islamic banking versus conventional banking

Commentators find similarities and differences between Islamic banking and conventional banking. Islamic banking performs the same intermediary function as traditional banking but does not receive a predetermined interest from borrowers and does not pay a predetermined interest to the depositors, which has been found to promote fair income distribution and reduce income inequality (Putriani and Prastowo, 2019). Khan (2004) argues that the majority of Islamic banking products have a strong resemblance to their conventional counterparts. In the same vein, scholars found that that some cultures in the Islamic perspective with “Shariah compliance” in Islamic banks are similar to the conventional banks such as accountability, highly motivated work ethic and provide penalties for employees who violate the rules (Ekawati et al., 2019). However, the background theory of Islamic banking reveals that it is based upon the Shariah financial principles of avoiding interest, uncertainty and promoting profit and loss sharing in transactions, whereas conventional banking is primarily informed by the principles of profitability, solvency, and liquidity (Malik et al., 2020). Not only that, but also the key distinction between the two is that Islamic Banking is based on Sharia foundation that all dealing transaction, business approach, investment focus, are derived from the Sharia law/Islamic faith. This distinction leads to significant differences in many areas of the operations of the conventional banks.

For example, according to Sharia law, investments in business activities which offer services or goods viewed contrary to Islamic laws or principles such as alcohol or pork is also prohibited and sinful (haraam). In a comparative study of 127 Islamic and conventional banks in the MENA region, Buallay (2019) points out that Islamic banks are based on a stakeholder model while conventional ones are based on a market-based model.

Islamic banks view stakeholders are risk-averse, whereas conventional banks view them as risk-takers. Although both Islamic and conventional banks share the aim of enhancing the value of investors as it is a common aim of all companies (Buberoku, 2018) and because both banks' economic performance and constancy depend on the trust given to them by the investors, they differ in the core purpose. While the purpose of Islamic banks is the protection of all stakeholders' rights, conventional banks aim to maximize shareholders' value by increasing profitability and efficiency.

The differences came due to the extra effort made by the Islamic banks in guarantying all their investors that the processes and activities executed by the firm are in agreement with Sharia as well as upholding and valuing their religious principles such as their financial interests (Ahmad and Ansary, 2017). Conventional banks' objective, on the other hand, is to set up rules and guidelines so that board members and executives work to maximize shareholders' wealth.

Unlike conventional finance that is periodically hit by crises of varying severity, Islamic finance can be regarded as a stable and efficient financial system to absorb shocks, and able to promote growth and job creation. Islamic banking performs the same intermediary function but does not receive a pre-determined interest from borrowers and does not pay a predetermined interest to the depositors; the amount of profit is based on the profit-sharing agreements with the depositors and also with the borrowers (Ariff, 2006). Thus, Islamic banking is considered a different banking stream as it prohibits interest and replaces it with profit share, and the profit share depends on the extent of the risk participation of the parties. The absence of pre-determined rewards is based on Quranic commands and as interpreted using Sharia principles (Ariff, 2006).

As for bank efficiency, it has been a topic of considerable interest in the literature in the last two decades. To begin with, efficiency is defined as a measure of performance indicating how



cautious a bank applies its resources, which produces out-put. A number of studies have compared the efficiency of Islamic banks with their conventional counterparts (Safiullah and Shamsuddin, 2019). Due to the difference in behavior of Islamic and conventional banks, the long-term sustainability of Islamic banks has always been discussed through linking them to their efficiency, whereas the efficiency of conventional banks has been widely studied in the literature to assess banks' experience in achieving their goals. While Islamic banks are less cost-effective compared to conventional banks, they have a higher intermediation ratio, higher asset quality and are better capitalized. Batir et al (2017) argue that the Islamic banks are higher average efficiency than conventional banks. Moreover, Kabir et al. (2015) explore credit risk in Islamic and non-Islamic banks and find, expectedly, that Islamic banks have significantly lower credit risk compared to conventional banks.

On the contrary, Sorwar et al. (2016), using a sample of 65 Islamic and 65 conventional banks, find no difference in risk between Islamic and non-Islamic banks. Despite the fact that the obtained results of measuring the efficiency of Islamic and traditional banks by DEA analysis allow us to claim that the Islamic banks are more efficient than the traditional ones, the majority of researchers have focused more on cost and profit efficiency in banking sectors and only a few have looked on revenue efficiency. Furthermore, most of these studies are carried out on the conventional banking sectors, while empirical evidence on the Islamic banking sectors is relatively scarce (Kamarudin et al., 2014).

Conventional banks, on the other hand, enjoy several advantages over Islamic banks. For example, conventional banks have very long history and experience, accept interest which is a major source of bank revenues, do not share loss with clients and ask for guaranteed collaterals in most transactions, enjoy very huge capital, spread very widely, have much more developed

technologies, can enter Islamic banking market (e.g. Citibank, Bank of America, Deutsche Bank, ABN, AMRO, USB, HSBC, and ANZ Grindlays) and proved to benefit from theoretical and empirical research (Akbar et al., 2012). Large international conventional banks like BNP Paribas, Citicorp, and Commerzbank have started their separate outlets that offer Sharia compliance products.

Another distinction between the two types of banking is governance. Corporate governance of banks has become significant area that needs more attention at international level. The complicated governance followed by conventional banks minimize the ability of stakeholders to supervise their performance. Moreover, the corporate governance aims to solve the conflicts between shareholders and management. However, the Sharia rules deal with all stakeholders in their activities rather than only shareholders.

Therefore, Islamic governance aims to solve the conflicts between all stakeholders through following Sharia'ah rules guided by religious board which is Sharia Supervisory Board (SSB), (Quttainah et al., 2013). This issue made Islamic banks in need of a special kind of governance systems. Buallay (2019) also argues that there is a significant difference between Islamic and conventional banks in adopting governance practices and in operational (ROA), financial (ROE) and market (TQ) performance. Buallay's study shows that Sharia governance significantly influenced the operational (ROA) and financial performance (ROE), whereas the corporate governance significantly influenced the market performance (TQ).

Table (3) offers a brief analysis of the difference between Islamic banking and traditional banking. These differences, as product differentiation (POD), serve as the competitive advantages on which Islamic banking positions itself vis-a-vis the competition. Nevertheless, Islamic banking

and conventional banking also bare many points of parity (POP), which is detailed in the upcoming discussion.

Table 3. A brief analysis of the difference between Islamic banking and traditional banking.

ISLAMIC BANKING	CONVENTIONAL BANKING
An advance step toward achievement of Islamic economics	Part of the capitalistic interest-based financial system
Interest and usury avoided at all levels of financial transactions	The basis of all financial transactions is interest and high-level usury
Depositors bear the risk, no need for deposit insurance	Depositors do not bear any risk, moreover, the bank is inclined to pay back principal with a guaranteed interest amount
The relationship between depositors and entrepreneurs is friendly and cooperative	Creditor-debtor relationship
Islamic banks become partner in the business of the client after sanctioning the credit and bearing loss	Do not bear any loss of client
Islamic bank is likely to absorb any endogenous or exogenous shock	Less likely to absorb any shock because of the ex-ante commitment
Inter-bank transactions are on a profit-and-loss sharing basis	On interest basis and more likely to cause credit or asset bubbles that bursts afterwards
Islamic banks work under the surveillance of the Sharia Supervisory Boards	No such surveillance
Avoids speculation-related functional activities	Main functions are susceptible to speculation.
Islamic banks sell and purchase foreign currency on a spot basis, not forward looking or future basis.	

### 2.2.2 Banks' competition and efficiency

Efficiency dimension is an important element in determining the performance of a company (Sufian, 2007). Efficiency can be determined in different ways such as minimizing cost, maximizing both profit and output. Generally, it is separated into two categories. The efficiency

of a firm is based on its ability to minimize input used in order to emanate a certain output or maximize outputs from a certain input. The main aim of producers is to evade loss. The producer has to apply technical efficiency in order for him/her to emanate more output and evade using more inputs in producing less output. However, allocative efficiency is based on the ideal blend of outputs and inputs at a certain price. Furthermore, the target of most producers may comprise; distributing outputs and inputs so as to increase profit margin as well as to exploit the given inputs in order to increase returns (Zoghلامي, 2013). Financial efficiency is thus referred to as a production technique, in which the aim of the producer is to achieve a higher rate of financial efficiency that is revenue, profit or cost efficiency.

Hypothetically, in order to enhance efficiency and reduce the cost of production, there must be a room for competition. Increase in competition results to the efficient working of banks for its survival, and to maintain their customers (Maurer, 2002). It causes most banks to produce and offer high-quality services based on consumers demand. The effort of most banks in rendering services in relation to their client's demands and minimizing its cost it has enabled it to make even more profit than before, failure to observe this measure may lead to their fall and loss (Ramachandran, 1989).

A number of studies have been carried out to determine the influence of the deregulation of the bank on performance, competition as well as efficiency (Soualhi, 2012). Most of the matters addressed based on whether bank deregulation had enhanced performance, efficiency, and competition. Though it was suggested in accordance with the outlook that deregulation caused an increase in competition, there is variation in the result concerning performance and efficiency (Suleiman, 2000). According to the United States banking firm, there was a proof that deregulation had no impact on efficiency. There however stated that, over a certain period of time, there was a

little modification in usual inefficiency and drop-in productivity as well as an increase in competition accredited to deregulation. They failed to determine the comparison in productivity and efficiency within banks and also omitted small banks. The most significant finding was that the Spanish banks had registered no improvement during the deregulated level (Rudnycky, 2013). Henceforth, it was recited that the Spanish bank performed poorly in relation to efficiency, due to its failure to adjust in enhancing competition in compliance to deregulation.

### 2.2.3 Islamic banking efficiency

Regardless of the appropriate growth of the Islamic banking segment, fewer studies have been conducted concerning Islamic bank efficiency (Buang, 2007). Most of the studies carried out focus much on determining the connection between banking dynamics and profitability. The bank's profit is at most produced from investor short term funding, overhead as well as non-profitable earning assets. Reserve apprehended by banks are stated to give negative influence, for instance, deteriorating the value of resources for investment, this is because the Islamic banks treat deposits as shares. Generally, the low development of loans based on sharing profit was triggered by the lack of knowledge in the management (Pollard and Samers, 2007). Regardless of that, the bank was discovered to function better in terms of management of risk as well as liquidity.

Though in Malaysia the study based much on Islamic bank, the outcomes reflected part of the Middle East (Malkawi, 2013). The Islamic banks had the capacity to survive when there was less domination of loss and profit within the architecture of conventional banking. The products of Islamic banks had a distinct risk characteristic; hence a sensible diverse policy should be applied. The Islamic banks are referred to have higher efficient profit averaging to 84% compared to 74% under the stochastic charge limit. Allocative is the primary basis of inefficiency (Sardar, et al., 2011). Furthermore, the five measures of efficiency are mostly linked to ROA and ROE;

hence the efficiency procedures can be applied to conventional secretarial ratios in order to determine the performance of Islamic banks.

However, the efficiency estimation techniques can be referred to as one of the parametric procedures using the techniques of econometrics, while the linear programming procedures are used in the non-parametric tactic (Suleiman, 2000). There is no existing consent terming the procedures for finding the suitable practice frontier contrary to the measure of relative efficiencies. The differences in two procedure result from the different ways in handling the random error as well as the arising assumptions in the efficient frontier, furthermore, every one of each has a weakness as well as a significant. The Islamic banks should offer high-quality products which meet the expectations of various costumer tastes and levels (Aldohni, 2008). Their main strategy should be to offer excellent quality and high tastes through the distribution of leading brands. The companies should create various branches as well as sub-branches throughout world in order to accomplish its strategy and serve their clients more effectively. With world-class marketing capability sustained by a team of professionals with experience, the Islamic Banks can gain competitive advantage worldwide.

Furthermore, the firms should apportion an enormous logistic support as well as distribution fleet that have the capacity to reach clients at any part of the world. Changing the formal and informal structure has enabled Islamic Banks to gain competence in the ever-changing business environment (Ahmad and Ansary, 2017). The employees are able to make decisions at a personal level without consulting the executive management. This has helped the employees to take advantage of opportunities arising in the market. To align the actions of the managers and elicit high-quality efforts with the objectives of the firm, the Islamic Banks should tie compensations to measures of observable performance such as stock price or profitability

(Aldohni, 2008). The companies should adopt a flexible organizational structure that allowed all the employees to make decisions at the individual level provided the decisions supported the strategy of the company. All employees should be involved in the decision-making process and therefore collective decisions are reached at each and every department with the organization. Development of the organization is about transformation in the human systems (Ahmed, Yahya, and Islam, 2013). It is not just any change under any scenarios.

#### 2.2.4 Critique of Islamic Banking

Islamic banks are built around universally accepted cultural rules like justice, freedom, productive work and trust. However, only a few numbers of the Muslim-majority nations have absolutely Islamized financially such as Sudan, Iran, and Pakistan. A large number of other Muslim countries are under the dual banking systems, which involves Islamic and conventional banking (Fakhfekh and Hachicha, 2016). This denotes that any wrongdoing on the part of the financial institution is likely to have negative effect on its investors and is likely to give rise to conflict of interest and agency issues amongst the administration and those who have shown to have faith in financial activities with the banks for better organization of their monies (Gilani, 2015).

While Islamic banks have a comparatively high demand in several emerging markets, such as Middle East and North Africa (MENA) countries (Buallay, 2019), there is the belief that not all banks with an Islamic label necessarily followed Sharia principles and there is a risk of Sharia non-compliance. Nawaz (2019) suggests that the Islamic banking sector is not a homogeneous group, with full-fledged Islamic banks having lax corporate governance mechanisms and large size, while their counterparts, Islamic Shariah-windows, having strong corporate governance mechanisms tend to invest more in human capital to yield positive market value. This is because the rationalizing of areas of Islamic law related to commerce and other financial activities to create a legal framework for Islamic banking is not all that simple (Vogel and Hayes, 1998). Not only that,

but also Islamic Banks have a unique kind of governance where the nature of corporate governance does not suit to Sharia compliance (Buallay, 2019). Some Islamic banks actually violated Sharia principles in the mid-1980s, raising serious doubts about the whole sector's compliance. In Egypt, for example, most of the domestic deposits were directed to conventional banks, which paid interest on deposits. More specifically, Islamic banks invested 20 percent of their deposits in murabaha contracts and deposited the rest in conventional banks (Mohieldin, 1997). The basic Sharia principle of prohibition of riba (interest) was clearly violated. Such practices have negatively affected public perception, due to their inability to differentiate between Islamic products and conventional ones (Bizri, 2014).

According to van Schaik (2001), generally speaking, all interest-free banks agree on the basic principles. However, individual banks differ in their application. Cokgezen and Kuran (2015, p. 862) found that "Islamic banks favor profits over doctrinal purity," "Islamic credit cards practices follow those of conventional cards with a delay," "the cost of using Islamic and conventional cards do not differ systematically," and "there is no uniformity in Islamic credit card practices across Turkey, Malaysia and UAE." These differences are due to several reasons including the laws of the country, objectives of the different banks, individual bank's circumstances and experiences, the need to interact with other interest-based banks, etc. Such observations raise certain sense of skepticism from the Muslim consumer side and put pressure on Islamic banks to be more transparent. Dusuki and Abdullah (2006) also argue that the practices of Islamic banking diverge in many ways from its paradigm version. In line with this, the debate concerning whether or not Islamic banking products are Islamic has been an ongoing subject of concern (Akbar et al., 2012). Lewison (1999), Zaher and Hassan (2001), Siddiqi (1997)



recommend that the word Islamic bank to be replaced by ethical banking, profit and loss share banking, interest-free banks (Gilani, 2015).

Research on banking efficiency focuses on how Islamic banks are performing compared to conventional banks (e.g., Hassa et al., 2009). From 2001 to 2008, Islamic banks were efficient at 92.72% on average. This efficiency differs depending on the region with maximum efficiency displayed by Islamic banks operating in Asia (96.21%) (Kablan and Yousif, 2011). Yet, there are mixed conclusions evidencing the relative efficiency of Islamic banks compared with conventional banks. There are also mixed findings about the Islamic banking system as a viable alternative banking system to the fragile conventional system, especially in times of a financial crisis (Ibrahim, 2015).

According to Ibrahim (2015, p. 187), the banking literature in general identifies variations in efficiency across banks and includes factors, such as bank size, liquidity, profitability, market competition and market power, bank ownership, product diversity or loan activity, regulation, and crisis. Other commentators argue that Islamic banking is challenged with an image problem. A ghost that is still haunting the credibility of Islamic banks is the financial fraud that targeted Turkish consumers residing in Germany. From 1995 to 2002, members of Turkish communities in Germany were the victims of fraud targeted by 'so-called' Islamic banking. The financial damage is estimated to be between £4.3 and £21.4 billion (Beloucif et al., 2017). Furthermore, outside Muslim countries, Islamic banking is often associated with Islamization and against integration of the Muslim community in mainstream society (Volk and Pudelko, 2010). These authors explain that the negative perception of Islamic banking in Europe relates to the prejudice that Europeans have of Muslims and their unwillingness to integrate in mainstream society.

There is also the fear that Islamic finance will finance and support terrorist activities. For example, after a growing success of Islamic banks in Egypt between 1980 and 1985, and positive media campaign and support by religious and businesspeople and the Egyptian press, in the 1988, the Egyptian state reversed the tide and launched a media campaign against Islamic banks. The then Egyptian government feared the growing importance and influence of Islamic banks' members and the potential impacts of their finances on sustaining the Muslim Brothers in the country.

The negative or reversed media campaign led to a financial panic, which in turn led to the bankruptcy of some companies (Kepel, 2002). Kepel (2002) explains that "in 1988 the Egyptian state called a halt to this process [support of Islamic banking], fearing that it would allow the Islamist movement to build up a war chest and hand the Brothers and their friends a fundamental independence that would lead to a hardening of their oppositional stance" (p. 280). According to Echchabi and Azouzi (2017), Algeria's plan to adopt Islamic banking suffers from sensitivities related to a perceived revival of political Islam after the 1990s war. One of the challenges in Morocco to implement Islamic banking, besides legal and regulatory ones, is perceived compatibility and social influences (Echchabi and Azouzi, 2015). Mohieldin (1997) and Dusuki and Abdullah (2006) argue that the practices of Islamic banking diverge in many ways from its paradigm version. Generally, there is a widespread perception among Muslims that conducting business with Islamic banks is similar to, or not different from, doing business with conventional banks (see also, Siddiqi, 1997; Lewis, 1999; Hassan, 2001; Akbar et al., 2012).

Existent literature shows that Islamic banking faces a variety of other challenges. To begin with, there are misperceptions and confusion about Islamic banking as many people - Muslims and non- Muslims - do not understand Islamic banking. There are also issues of high monitoring and

verification costs. Even Sharia boards and large depositors can be misled, let alone small depositors. Several large Islamic financial institutions had deposited large amounts of money with BCCI (Bank of Credit and Commerce International) but were unable to see its collapse in 1991 (Grais and Pellegrini, 2006, p. 8).

Another issue is the less profitability due to higher liquidity balances -The constraints imposed by the Sharia guidelines on Islamic banks to hold approximately 100% reserve requirement for current accounts (demand deposits for safekeeping and savings) which is mostly cash, means greater opportunity cost compared to commercial banks. Islamic banks also experience challenges in terms of lacking good governance, institutional capacity and human capital. Most Muslim countries lack the institutional infrastructure and legal framework required for the protection of property rights and the enforcement of contracts that is taken for granted in most Western countries.

## THEORETICAL BACKGROUND: CONSISTENCY THEORIES

### 2.3 Introduction

Theories of business are referred to as the proposed principles and laws that can be implemented in order to describe the market, innovation, organizational culture and competition. There are a few theories that are specifically designed and applicable to the main areas such as business models, operations, customer relationships and marketing. These frameworks and models are proposed for the purpose of helping the companies or enterprises to engage and assist in the development of marketplaces, organizational culture, modernism, and competition. These models are the main roots of any business management and help to understand the dynamics of the present increasingly uncertain and complex business environment. Of these theories, consistency theories have been widely used in studies to explain consumer behavior (Walther et al., 2012). In the

upcoming section, an explanation of balance theory, congruity theory, and cognitive dissonance theory will be given, bearing in mind that they are all interrelated as they all try to understand when and how inconsistencies are created in a person's mind.

Consistency theories, namely Heider's (1946) balance theory, Osgood and Tannenbaum's (1955) congruity theory, and Festinger's (1964) cognitive dissonance theory, according Awa and Nwuche (2020), are the three popular schools of thought that provide the foundational theories of cognitive consistency that explain interaction between affect (liking or disliking a stimulus), beliefs (cognitive interpretation of the stimulus), and behavioral intention (the tendency to respond either favorably or unfavorably towards the stimulus) (Awa and Nwuche, 2020). Consistency theories have been widely used in studies to explain consumer behavior (Walther et al., 2012). As prince (2020), "Cognitive consistency occurs when there are conflicting thoughts and associated tensions which culminate in adjustments that consistently align perceptions" (p. 454).

Analogically, the rationale for selecting these theories is based on the study's purpose and research question. As has been documented earlier, the data clearly show that Islamic banking is not as yet popular among Muslim bank consumers in the majority of the Muslim world compared to conventional banking. Based on the assumptions of consistency theories, which suggest that people are looking for cognitive balance in their lives (Heider, 1964), a balance that, according to Osgwood and Tannenbaum (1967), results from congruity between a person's beliefs and behaviors, the unpopularity of Islamic banks among Muslims becomes paradoxical.

### 2.3.1 Balance Theory

Balance theory, developed by Osgwood and Tannenbaum (1967), can be defined as the "Structure of people's opinions about other individuals and objects as well as the perceived relation between them" (Yun et al., 2019). Balance theory describes the structure of people's opinions about other individuals and objects as well as the perceived relation between them. The central notion of

balance theory is that certain structures between individuals and objects are balanced, whereas other structures are imbalanced, and that balanced structures are generally preferred over imbalanced structures. Specifically, balance theory claims that unbalanced structures are associated with an uncomfortable feeling of negative affect, and that this negative feeling leads people to strive for balanced structures and to avoid imbalanced structures. Perceived negative feelings allow the people to make efforts for balanced structures and evade the imbalanced ones (Rawlings and Friedkin 2017). This theory was articulated initially during the year 1946 by Heider, and was further developed by Cartwright and Harary in the 1950s.

#### *2.3.1.1 Theoretical Assumptions of Balance Theory*

Balance theory was aimed at demonstrating the arrangement of relations among three individuals. These relation arrangements amongst three individuals or objects are often referred to as “triadic relations”. A triadic relation among three objects or individuals comprises the association amongst a first-person A and a second person O, the link between the second person O and a third person X, and lastly the relation between the first person A and the third person X (Hummon and Doreian 2003). It can also be described as A-O-X triad. Conversely, it is assumed that the particular associations among two people can either be negative, i.e. the two individuals dislike each other or positive meaning that the two individuals like each other.

According to Chiang et al., (2020), in balance theory, a triad is balanced when it includes either no or an even number of negative relations. In contrast to this, a triad is imbalanced when it includes an odd number of negative relations. For example, considering the example of three individuals, Will, James and Jack where the powerful triad of relations among these three people would be stable if Will likes John, John likes Jack, and Will likes Jack; Will abhors John, John likes Jack, and Will abhors Jack; Will likes John, John dislikes Jack, and Will dislikes Jack, or if Will abhors John, John dislikes Jack, and Will likes Jack. Conversely, the resultant triad will be

considered as imbalanced if Will likes John, John likes Jack, and Will abhors Jack; or Will abhors John, John likes Jack, and Will likes Jack; Will dislikes John, John abhors Jack, and Will dislikes Jack or else Will likes John, John abhors Jack, and Will likes Jack (Chiang et al., 2020).

The main purpose of developing this theory was to explain the arrays of interpersonal relations. It is also implemented for studying the opinion and attitudes of employees or objects. These types of relationships are mostly referred to as unit relations. Positive unit relations can be the outcome of any proximity, closeness and similarity, etc. (Hummon and Doreian, 2003). On the other hand, negative unit relations might be due to the distinctness, distance or dissimilarity

#### *2.3.1.2 Four States of Balance Relationships*

There are four possible states when relationships among three individuals or objects are found to be balanced (Figure 7). Figure 7 illustrates the relationship within the triad. According to the theorists, these four balanced states are classified as cognitive states which include consistency, stability, or expectancy as well as affective states which involve harmony or pleasantness (Chiang et al., 2020). Primarily, the ideal state is the one when all the three objects or individuals like each other or get along well.

### Balanced Triads (Models A through D)

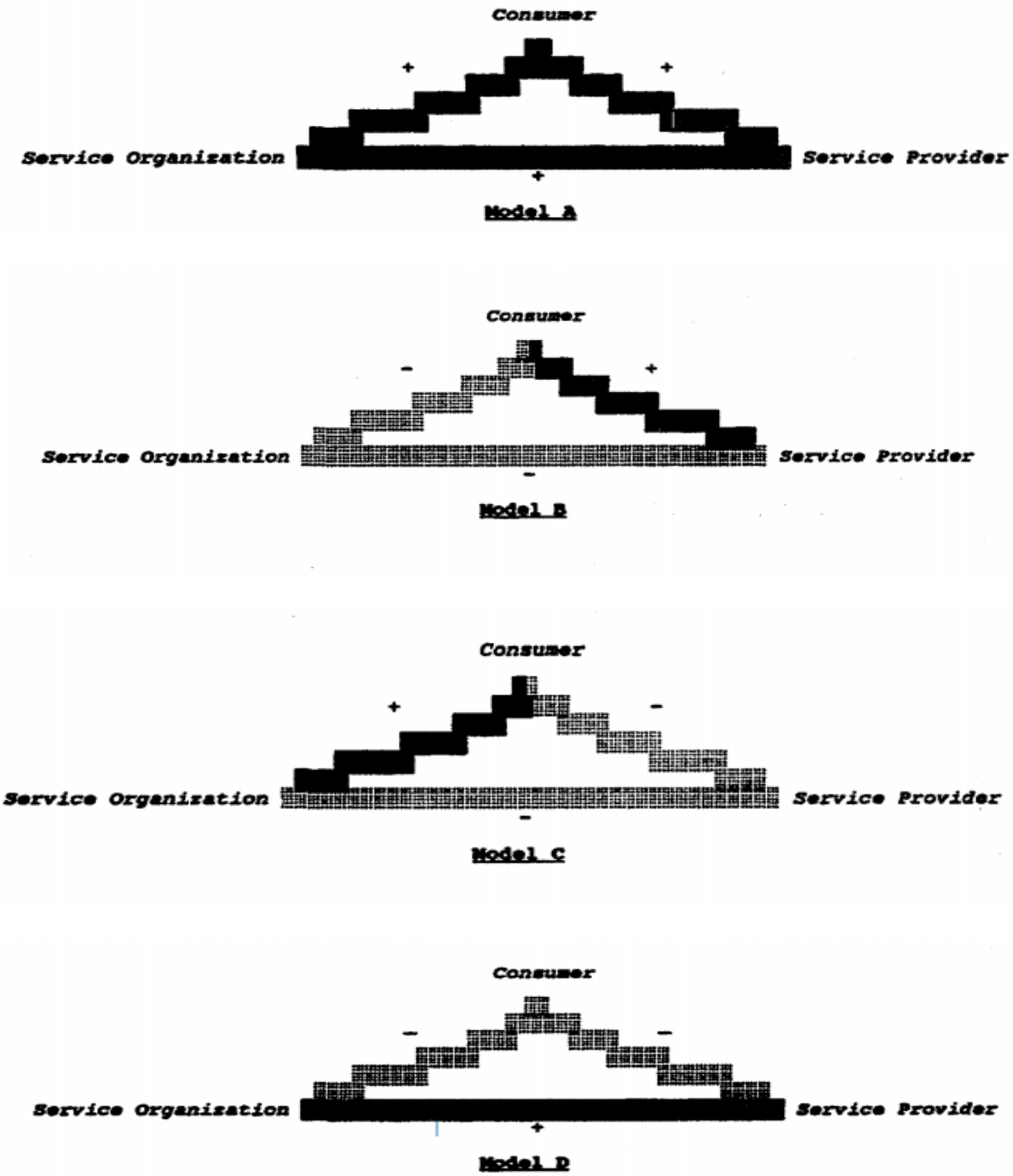


Figure 7. Balanced triads (Models A through D)

In all these four-state, the relations among all the three triads are harmonious, and there is no extension that exists among them. Also, Balance is also observed in the other three states when

two out of the three parties have negative relations among them. Therefore, the figure from Model B to Model D shows that a triad can be balanced if there exists an odd amount of positive relationships. It can be observed from the balanced relationships and states that these models have negated all kind of negative tensions, relationships among the parties that might result in unpleasant links for the parties that are involved (Belaza et al., 2017). An imbalance state occurs when one of the three relations among the parties is negative while the other two are positive, as it is not cognitively reliable to recommend.

It has been observed that most commonly individuals prefer balanced to imbalanced states which are filled with tensions, rigidity and instability (Chiang et al., 2020). Relations can be imbalanced when one of the three associations is negative, and the other two are positive, and they are not cognitively recommended. In order to remove this disparity, the linkages must be changed or transformed in such a manner that there is only one positive relationship, or in an ideal condition, all three triads are positive. In general, the individuals in the unit will want to make the easiest change possible to restore the balance.

#### *2.3.1.3 Application of Balance Theory*

The difference between the imbalanced and the balanced triads has been presented to have significant consequences for a wide range of diverse domains (Trepte, 2008; Awa and Nwuche, 2010; Omaranz and Benyamini, 2016). Firstly, the previous researchers have explained that the feeling of uneasiness is linked with the unjust arrangements impacting the creation of original behaviors or attitudes. Particularly, it can be explained that the recently created attitudes most commonly fulfil the triadic relationships in a way that the subsequent triad is found to be stable instead of being imbalanced.

Moreover, the evidence from the previous research shows that there exists an overall superiority among the individuals for the balanced as paralleled with the imbalanced information



(Chiang et al., 2020). Lastly, it can be deduced that the principle of balance is found to have significant as well as crucial repercussions for the individual's identity and the way people think about their own selves. Previous studies depict that the mental connotation among a particular group and self, personal evaluations of oneself and evaluations of a group show the structure that can be explained as balanced rather than being termed as an imbalance.

### 2.3.2 Congruity Theory

The core idea behind the consistency theories is to consider the cognition and thoughts on the individual's mind (Osgood and Tannenbaum, 1967). These theories hold the idea that when a person has unbalanced or inconsistent thoughts in his or her mind, these thoughts motivate them to alter their ideas in order to restore consistency. For example, if a person likes a famous celebrity and that celebrity recommends using the products of Nike, then ultimately, it will be easier for that individual to have a liking for the Nike brand. In general, the purpose of persuasive messages is to alter the human's minds either by strengthening them or through the reinforcement of prevailing behaviors. When an idea does not fit within an individual's values, there is difference, inconsistency, and then a discrepancy exists between the individual's attitude and that particular idea. If the intention of a person is to agree and like the idea, this can lead to motivation to accept that idea (Walther et al., 2012).

Congruity theory is "a part of consistency theories of attitude change". This theory was established by Percy Tannenbaum and Charles Osgood in order to progress on the initially developed consistency theory called the Fritz Heider's "Balance Theory". The purpose of developing congruity theory was to improve Fritz Heider's original consistency theory as well as to explore instances of changes in attitude. Heider's balance theory suggests that human beings are initially motivated by their requirements to sustain the balance and congruence among their

cognitions (Osgood and Tannenbaum, 1967). One significant element of congruity theory is that it is clearly focused on addressing the two main factors, i.e. persuasion and communication.

Congruity theory refines the former theory and treats the person (O) as the communication source. On the other hand, the attitude object is a “Concept”, and the “P” mentioned in the balance theory is fundamentally the audience. Balance theory enumerated two of the three associations in the triad presented by Heider, i.e. the extent of liking of the audience for the source (PO in balance theory) and the respective attitude of an audience in relation to the Concept (PX in balance theory). Heider’s theory represents these relationships with plus and minus signs or numbers (1-7). Therefore, congruity theory deals with apprehending the situations where the source will present a statement regarding a Concept, and the behaviors or attitudes of the audience regarding the Source and Concept is observed. The simple connection that suggests the same declaration of the source about the Concept is associative, i.e., positive or disassociative (i.e. negative) (Osgood and Tannenbaum, 1967).

Congruity Theory embraces the fact that imbalance or incongruence is disagreeable and critically encourages the audiences to alter their behaviors or attitudes. Another improvement made in the balance theory is that this consistency theory provides a particular formula that aids in anticipating the extent and direction of change in attitude (McLaughlin, 2009). Congruity theory presents a formula for the purpose of predicting the extent and direction of change of behavior which is dependent on the attitude of the audience towards both the source and the Concept.

#### *2.3.2.1 Application of Congruity Theory*

This theory was verified by carrying out a number of theoretical situations. An initial study was conducted where audiences were given a large list of individuals. The Sources were Soviet leader Khrushchev, and President Eisenhower and the Concepts were democracy and communism. The audience was requested to describe their attitudes relating to the source and Concept. Soon after

the audiences were articulated that Khruchev or Eisenhower has formulated a testimonial regarding the Concept, i.e. communism or democracy. In this experiment, the researchers evaluated every possible statement associated with the liked sources and like concepts and liked sources with disliked concepts. For example, Eisenhower said that democracy is the factor that makes the whole nation great. On the other hand, Khrushchev says that the best system for the government is communism. There are other statements related where disliked concepts are linked with the liked sources or disliked sources are linked with the liked concepts. After analyzing these messages, the attitudes of the audience towards the concepts and sources were measured. The primary responses of the audience were put into the attitude formulae, and their new attitudes after reading the messages were then compared with the attitudes anticipated by the congruity theory.

This research study revealed and supported the predictions that were made in the congruity theory, i.e. attitudes have the capability to alter the person's mind in the anticipated direction (Lorimor and Dunn 1968). Conversely, the accurate amounts of changes in attitude were frequently incorrect. This investigation resulted in the establishment of two key corrections made in the attitude prediction formula (Eagly and Karau 2002). These hypotheses are called "post hoc hypotheses" as it did not arise from the theory itself; rather, they were formulated after the research. Assertion constant is the first post hoc hypothesis that reveals that when a source makes a declaration regarding a concept, that statement shows more about the concept as compared to the source. This hypothesis anticipates that the attitude in the direction of the source will not alter as predicted by the formula (Awa and Nwuche 2010). Similarly, the correction for incredulity which is the second post hoc hypothesis posits that the change in attitude that was predicted by the theory, did not transpire when the source was made to say something unreasonable.

### *2.3.2.2 Strengths and Weaknesses of Congruity Theory*

Congruity theory offers more benefits when implemented in a certain situation. One of the strengths is that it is more focused than the balance theory and directly points to the situation where the source makes an assertion (Anderson and Fishbein 1965). Moreover, it makes particular forecasts regarding the extent and direction of changes in attitude that arises from persuasive interactions. On the other hand, this theory also predicts that the attitude of the audience towards the concept and source can be transformed due to the incongruity in the people's mind. There are certain limitations of this theory that it categorizes the statements as associative or disassociative as well as it ignores the content of the message (Awa and Nwuche 2010). Even though this theory has certain limitations, and the proposed hypotheses are incomplete, still it is an advancement of Balance theory.

### *2.3.3 Cognitive Dissonance Theory*

Cognitive Dissonance is defined as the stressing mental state people feel when they find themselves doing things that do not fit with their opinions or knowledge (Festinger, 1957). It is an aversive drive that goads people to be consistent. Cognitive Dissonance Theory explains the tendency of people to aim for consistency in their thoughts and the consequences of that tendency. The theory postulates that basically two ideas that are consistent are consonant, if they are inconsistent they are dissonant, and subsequently, if they are unrelated or unconnected they are irrelevant. This theory was proposed by Leon Festinger in his 1957 publication "A Theory of Cognitive Dissonance". Cognitive dissonance, together with balance theory and congruity theory is part of the what is referred to as consistency theories. Similar to the other consistency theories, this theory predicts that dissonance initiates an uncomfortable feeling that leads towards attitude change in order to reestablish consonance.

#### 2.3.4 Aintegration Theory

This theory was proposed by Lomarnz and BenYamini (2016). The authors argue that it is not always the case that people view negative events as solely negative and negatively affect their lives. Rather, differently from the other consistency theories where balance plays a crucial role in people's lives, in aintegration, the authors support the ability to live with incongruence, contradictions and complexity. They explain, as argued by Heider (1958), "Consistency and balance played a constituting and paradigmatic role in social cognition. Major theorists argued that incompatible values, attitudes, or behaviors lead to imbalance and disharmony, which in turn cause discomfort and stress. Therefore, people are motivated to seek consistency, produce modified congruent cognitions, emotions and behaviors that reduce cognitive dissonance, conflict and stress, thus retaining psychological balance (p. 82). However, they argue that the world cannot be explained in polarity as either black or white. Rather, many areas in human life presents challenges to which the individual adapts and does not necessarily loose cognitive or psychological balance. Kruglanski et al. (2018), also criticized consistency theories in the same way, and conclude that contrary to the established view of consistency theories people do not have "a general need for cognitive consistency whose frustration occasions upset and attitude change" (p. 46). They argue that cognitive consistency or inconsistency does not matter as much to people, and that people can live comfortably with it. What matters much to people, they explain, is not inconsistency but rather their expectancy about a desirable outcome. They explain it in this manner: "Again then, it is not inconsistency as such that seems bothersome but rather the updated expectancy about a desirable outcome, that is, the state of affairs affirmed by either consistent or inconsistent cognitions that determines the individuals' affective response in the situation. A high (vs. low) updated expectancy about a negative outcome (i.e. "bad news") produces upset, whereas a high

(vs. low) expectancy about a positive outcome (i.e., “good news”) produces contentment” (p. 46-47).

Hence, the postulates of consistency theories that people absolutely need cognitive consistency if not they will bear stress or psychological imbalance does not necessarily and always hold true. Therefore, the concept of aintegration is an important window that supplements our understanding of human behavior in addition to consistency theories (Lomranz and Benyamini, 2016). Finally, based on their argumentation, the authors conclude that inconsistency could affect individuals negatively, positively, or could have no effect whatsoever. They found aintegration positively correlated and is higher with age, education, and among divorced/separated people, and among the non-religious. As such, they also propose that, as aintegration deviates from the framework of consistency, it seems to challenge the assumptions of Western thought. This proposition is of great importance of the present study, since it is taking place in an Arab Muslim country. Aintegration seems to be able to shed more light on the complex issue of Islamic banks and the ambivalent attitude of Muslims towards them.

## 2.4 Hypotheses Development

In the upcoming section, the focus will be on discussing the study’s constructs as a base on which the study’s hypotheses will be founded. First, a general introduction to the construct is presented and will be followed by a discussion of its association with Islamic banking. After that, the corresponding hypothesis will be presented.

### 2.4.1 Consumer behavior towards Islamic banking

Consumer behavior is the study of the understanding of people’s actual purchase behavior -the choice of buying or not buying a product or service. Consumer behavior is the study “of the processes involved when individuals or groups select, purchase, use, or dispose of products, services, ideas, or experiences to satisfy needs and desires” (Solomon et al., 2014, p. 6).

Engel et al. (1986, 5) define consumer behavior as “those acts of individuals directly involved in obtaining, using, and disposing of economic goods and services, including the decision processes that precede and determine these acts.”. Consumer behavior is a research discipline, which deals with why consumers buy or do not buy a product or service (Solomon et al., 2014).

The purpose of consumer behavior research is to develop marketing strategies to influence positive buying behavior and rectify cognitive dissonance when it occurs in the mind of the consumer (Solomon et al., 2014). Consumers’ actions are affected by several factors, including cultural factors (religion, traditions, social class), social factors (family, reference groups, social status), personal factors (demographics and lifestyle), and psychological factors (motivation, perception, beliefs, and attitude) (Solomon et al., 2014). While most of these factors are uncontrollable, businesses need to understand them to understand the complex behavior of the consumers (Kaahkeh, 2018).

Kaakeh (2018) acknowledges the need to focus on the behavioral side of Islamic banking, a relatively neglected topic, to understand the phenomenon better and respond to the challenges more effectively. He supports that the behavior of Islamic banks patrons can be studied from different perspectives, including attitude, motivation, satisfaction, and demographics. Although consumer perception, attitude, behavior and the mediating role of religiosity are considered pivotal determinants of shopping behavior and product choice in Islamic banking, research efforts on these concepts and their linkages are criticized for inadequate definition, confusing conceptualization, inconsistent measurement procedures, and methodological problems.

#### 2.4.2 Perception and Consumer Behavior

Researchers suggest that studying consumer perception is the most popular approach to know their motivation, attitude, and behavior towards banking products and services. Consumers’ behavior

can be understood from the perspective of Ajzen's (1991) theory of planned behavior (TPB), which has been instrumental in studying consumer perception from the perspective of purchase and sales.

This theory suggests that behavioral intention is determined by a joint function of the attitude, the subjective norm, and the perceived behavior control. Moreover, people do not perceive a product or service the same way. Perception is defined as a process that starts with the exposure and attention from consumers on marketing stimuli, which end with consumer interpretation (Hawkins & Mothersbaugh, 2016, p. 274). Additionally, according to Keller (2013), brand perception is a consumer perception about a brand as reflected by brand associations that exist in consumers' memories. Solomon et al. (2014) posit that the way people perceive is influenced by their cultural and social background.

The measurement of brand perception, according to Keller (2013, p. 50), could be based on three criteria. The first one is strength of brand associations, including the depth of someone thinking about information about a product and connecting it with existing brand knowledge, as well as signs or cues that make a person consider a brand. The second is favorability of brand associations, namely brand associations that depend on the situation or context, and its nature varies according to what consumers want to achieve in a purchasing decision. The third is the uniqueness of brand associations, namely the existence of excellence and unique impression on the brand that gives consumers a strong reason why they should choose it.

#### 2.4.3 Perception about Islamic banking

A review of the literature about the factors influencing the perception of Islamic banking in general in different countries presented by Beloucif and colleagues (2017) identified the following themes: heritage/history/culture, religious beliefs, financial crisis, sustainability/ethically correct, emotional aspects/personality, diversification of investment, reputation, media, terrorist



attacks/prejudice, political discussions, quality of service, product variety, skilled workforce, corporate ability, experience/knowledge, hearsay/word of mouth, marketing/advertisement, regulations, accessibility, socioeconomic factors, profitability, and safety of funds. These themes are also dependent on the location of the study. Studies demonstrate that a collective set of factors such as attitudes (implicit and explicit), subjective norms, perceived financial cost, branding and the word of mouth affects customer's intention to choose Islamic Banking products (Belwal et. Al, 2019; Butt et. Al 2018; Wahyuni and Fitriani, 2017; Ali et. Al, 2017). Belwal et. al (2019) found that the perception of the potential customers revealed that Islamic banking is not different from other banks for them; hence, there is no need to switch to it. On the other hand, other potential customers perceive Islamic banks as new to them which hinders them from switching to it.

Having said this, Belwal et. al (2019) believe that some of the customers of Islamic banks do not have a good understanding of the main concepts which affects how they perceive these banks. Beloucif and colleagues' (2017) study focused on examining how Muslim and non-Muslim Germans perceive Islamic banking in Germany. Results of his qualitative interviews with 35 respondents suggest a lack of understanding about Islam and Islamic banking and the correlation between the two in negatively affecting the image of Islamic banking. He suggested a lack of knowledge about Islam, Sharia, and Islamic banking products.

There is the perception/fear within Muslim and non-Muslim German that Islamic banking activities are involved in financing criminal activities, namely terrorism. Furthermore, His results suggest that, in fact, religion does play a positive as well as a negative impact on the perception of Islamic banking. Accordingly, he suggested that Islamic banks need to have different marketing strategies with one focused on Muslim consumers with product positioning emphasizing sharia, and the other focused on non-Muslims with an emphasis on ethical products within Islamic

banking principles. He also proposed that the current opinion on conventional banks may favorably influence the perception of Islamic banking. Muslims do not perceive Islamic banking products and services the same way, despite Islam being a core value in their value belief system. The Islamic Bank of Bahrain (2019) conducted a study titled *General Inquiries: frequently asked questions about Islamic banks* to dig out how Muslims perceive Islamic banking.

It is worth including an excerpt from this document, here, to underlie the importance of the situation with Islamic banking in general. In the preface, the author explains:

“Since the emergence of Islamic banking, during the seventies of the last century, many questions have been raised, by individuals keen on halal income, with regards to the validity of transactions performed by Islamic banks, and the extent to which they are in agreement with the provisions of Sharia, and the processes approved by the Sharia Supervisory Board. On the other hand, suspicious questions were raised by some in an attempt to undermine and doubt the newly emerging Islamic banks, to the extent that some people thought that the establishment of an Islamic bank is a fantasy” (p. 1).

This observation denotes the perception issues with which Islamic banking is faced, namely its validity and credibility. The sixty-question presented in Table 4 will serve as the background on which to develop perception variables to be used in the present study. This table presents an overview of the study conducted by the Islamic Bank of Bahrain (2019), which offers a rich depiction of how people perceive Islamic banking. For example, some people think “there is no difference between Islamic banking and conventional banking”. Some even are of the opinion that “Islamic banks are just mocking us”. The sixty perception statements from the Bank of Bahrain presented in Table 4 document a comprehensive overview of how Islamic banking is perceived, which also underscores the urgency to respond to these perceptions. In summary, their research finds that people are of the opinion that there is no difference between Islamic banking and conventional banking and that the latter is only using financial tricks to make people believe that

the system is indeed Sharia compliant, purporting that the system is manipulating, not transparent, does not contribute to the poor and to community economic developed as claimed. Furthermore, there is a strong perception that Islamic banking does business with financial capitalist finance systems and thus is more focused on generating interest than on observing Sharia law.

There is also mistrust towards Sharia Supervisory Board members, who have contradictory opinions and who have hidden agendas. Hence, their reliability, integrity, and ethics principles are questioned. According to the Islamic Bank of Bahrain (Al Shaikh, 2019) these are strong allegations that warrant further investigation and rectification. Moreover, Ramadhani et. al (2019) argue that perception do not only affects consumers attitude towards Islamic banking, but they can also play a role in switching behavior, whether from conventional banks to Islamic banks or vise-versa. They submit, the more positive the perception the greater the likelihood of the community to switch from conventional banks to sharia banks, and the more negative the perception the greater the likelihood to switch from Islamic banks to conventional banks. Accordingly, based on this discussion and previous studies, I hypothesize that:

H1. There is a statistically significant association between the perception that consumers have of Islamic banking and their attitudes towards Islamic banking.

#### 2.4.4 Measurement of perceptions of Islamic banking

The Islamic Bank of Bahrain (Al Shaikh, 2019) conducted a comprehensive study to assess how Islamic banking is perceived by people. The initiative came out of the Bank's acknowledgement of the misconceptions associated with Islamic banking. The purpose of the research was to find out those misconceptions and offer respective solutions to rectify them and position Islamic banking positively in the mind of consumers. Generally, it is agreed upon that Islamic banking suffers from a negative image (Al Skaikh, 2019). According to this source and similar research (e.g., Ramadhawi et al., 2019; Malik and Ullah, 2020), the negative image is associated with lack

of consumer knowledge about Islamic banking products, untrained employees concerning Islamic banking principles, lack of trust in Islamic banking institutions, confusion with conventional banking, and the level of religiosity of the customers (e.g., Salam, Muhamad, and Leong, 2019). Strengthening these factors can play a positive role in enhancing the image of Islamic banking, preventing switching behavior, and attracting new customers (e.g., Kaakeh et al., 2018). Table 4 presents a comprehensive overview of how consumers perceived Islamic banking. These perception items will be used in the present study to measure consumers' perception about Islamic banking.

Table 4. Questions related to Islamic banking perceptions.

1- There is no difference between Islamic banks and conventional banks.
2. Islamic Banks are just mocking us.
3. Islamic bank financing is nothing but a matter of twisting documents to appear as a formal transaction.
4. Islamic banks manipulate terms and finance products for profit purposes.
5. Islamic banks charge more profits than conventional banks.
6. Automated and accounting systems in Islamic banks are a mere simulation of conventional banking systems
7. Islamic banks charge customers fees and profits that are unknown.
8. Islamic banks do not properly apply the correct Islamic concepts and standards.
9. Employees of Islamic banks are from conventional banking backgrounds.
10. Islamic banks do not observe the purposes of Sharia.
11. Islamic banks do not take into account the interests of the poor.
12. Islamic banks do not contribute to economic development.
13. The existing financial system is essentially a capitalist regime which is based on interest (Riba), and Islamic banks are a part of this system through their dealings within it.
14. Islamic banks deal with central banks that in turn deal with the usurious U.S. Federal Reserve Bank.
15. Islamic banks have accounts with conventional banks.
16. Islamic banks sometimes deal with conventional banks.
17. Islamic banks use the global interest rate.
18. Islamic banks help people to fall in debt.
19. Islamic banks are too lenient when providing consumer financing.
20. Islamic banks do not provide interest free loans (Qard Hassan).
21. Islamic banks do not provide financing to S.M.E.s but seek to attract the largest amount of capital.
22. Islamic banks have sometimes contributed to the rise of property and commodity prices due to their speculative behavior in the market.
23. Islamic banks are combining and merging a number of contracts into a single deal for the purpose of providing finance.
24. Islamic banks charge fees when the customer is late in paying his installments.
25. Some Islamic banks are owned by conventional banks, and some conventional banks open Islamic windows or branches.
26. Islamic banks compete with businesses.
27. Customers are unaware about the reality of the signed contracts.
28. Islamic banks' contracts are unamendable; therefore, the customer does not have the right to negotiate, modify or change the terms of the contract.
GENERAL INQUIRIES "Frequently asked questions about Islamic banks"
29. Sharia Supervisory Boards in Islamic banks do not have an active role.

30. Members of the Sharia Supervisory Boards belong to the bank and this does not make them independent.
31. Receiving money from the bank by the Sharia Board members is considered a violation to their duties and puts them under the control of the management of the bank.
32. Sharia Supervisory Board members' names are repeated in a number of Islamic financial institutions.
33. Sharia Boards have recently approved some products and mechanisms that weren't accepted in the past.
34. Sharia Boards issue rulings (Fatwas) and resolutions without any clear reference or criteria governing them.
35. There are differences and contradictions in the fatwas issued by members of Sharia boards in banks.
36. Purchase of goods by the bank and the reality of its possession.
37. Murabaha used by Islamic financial institutions is not the Murabaha in Islamic transcripts.
38. The Islamic banks force the customer to sign a binding promise that cannot be broken.
39. The Ijarah Muntahah Bittamleek instrument adopted by Islamic banks for financing purposes is in fact a Sale contract.
40. Does the bank actually own the property?
41. Ijarah Muntahia Bittamleek is not permitted by some scholars because of some suspicions and concerns raised by them.
42. Tawarruq in banks is just a trick to get cash.
43. Tawarruq is similar to "Ina Sale" which is forbidden in Islam
44. Goods involved in Tawarruq transactions are not real and artificial.
45. The goods involved in Tawarruq are sometimes outside the country, making it difficult to see and inspect them.
46. Tawarruq transactions (Personal Finance Murabaha) are quickly processed and the proceeds are deposited to the customer account, whereby the customer does not feel its genuineness.
47. The Islamic Fiqh Academy has prohibited Tawarruq practiced in banks, or what is sometimes called organized Tawarruq.
48. Tawarruq is an instrument that does not contribute to the achievement of the objectives of the Islamic economy and does not take into account the purposes of Sharia (a Zero sum game).
49. Islamic banks have begun to intensify the use of Tawarruq products at the expense of other products such as selling, leasing, Musharaka and others.
50. Islamic banks claim that they grant credit cards on the basis of "Qard Hassan" while they are actually receiving interest (the so called fees).
51. The fees calculated on the card are just a trick to take the same interest rate charged by conventional banks.
52. Cash withdrawal fees.
53. Prizes are awarded by a draw.
54. Islamic banks credits amounts of money, as profit, in its customers' investment accounts, on a monthly or annual basis.
55. Profits distributed by Islamic Banks are usually small, compared to the profits actually earned by the Bank.
56. Islamic banks commit themselves to pay a fixed profit amount on investment accounts.

57. Islamic banks do not clarify the areas of investment of these funds.
58. Islamic banks are offering prizes on investment accounts, whereby the winner's name is determined by a draw.
59. The accounts of customers in Islamic banks are subject to loss, contrary to their conventional counterparts.
60. Some Islamic banks set a prefixed confirmed profit when they apply the Agency contract.

In addition, Ali et al. (2018, p. 78) also developed nine item statements to measure the perception of employees at Islamic banks in Malaysia. These are:

1. Islamic banking is according to Sharia, which differentiates it from conventional banking
2. The Islamic banking system must adhere to profit loss sharing principle.
3. Muslims are attracted to Islamic banking because Riba is prohibited in Islam.
4. Islamic banking is introduced to promote the social and welfare economic system.
5. Islamic banking is a viable alternative to conventional banking.
6. Islamic banking addresses the reservations of Muslims towards conventional banking.
7. Islamic banking is capable to accomplish with the demand of customers to bring innovative products and services.
8. Islamic banking customers are concerned about service quality and price.
9. Overall perception of Islamic banking.

#### 2.4.5 Knowledge and Consumer Behavior

Product knowledge plays an important role in the research of consumer behavior. Therefore, it is an essential research subject in related fields. Brucks (1985) states that product knowledge is based on memories or known knowledge from consumers. It has been shown in studies that it is an important structure in understanding consumer behaviors such as information search and information processing. Additionally, Lin and Zhen (2005) assert that product knowledge depends on consumer's awareness or understanding about the product, or consumer's confidence about in it. Yet, it is important to note that, according to Brucks (1985), knowledge is divided into three

categories: subjective knowledge, objective knowledge, and experience-based knowledge. They argue that objective knowledge measures the perception of how much someone knows. Subjective knowledge, on the other hand, measures what a person has in their memory, the amount, the type, or the organization. The third category measures the use experience or purchase quantity with the product (Experience-based knowledge). However, experience-based knowledge is considered as a preliminary step in the formation of knowledge (Laverie, Wilcox, & Duhan, 2005). Alba and Hutchinson (1987), on the other hand, indicate that product knowledge should further contain two parts: expertise, and familiarity with products.

Kandemir et al, (2019) argue that the importance of knowledge lies in the fact that consumers with different levels of knowledge behave differently. Their study on the relationship between consumer involvement, product knowledge level, and purchase decision shows that there is a statistically significant relationship. Not only the categorization of knowledge matters when it comes to consumer behavior, but also the levels of knowledge (low vs. high) have been found to be influential on brand evaluation, and consequently, consumer behavior. In the same vein, other studies investigated the effect of product knowledge levels on consumer information search and purchase intention and found that they have a significant positive impact (Hanzaee et al., 2011).

On a similar note, Nora (2019) studied the effect of customer knowledge on repurchasing intentions of Islamic banking products and services, and found that high customer knowledge can encourage customer intimacy, and high customer intimacy is also able to encourage repurchase intention. However, she points out that this relationship is not direct as customer knowledge was not directly able to increase the intention of repeat purchase. The results also suggest that the level of customer knowledge about the products and services of Sharia banking can build customer intimacy.



#### 2.4.6 Knowledge about Islamic banking

Extant literature shows that Muslims have a low knowledge of Islamic banking products and contracts, and that Muslims in the countries studied and overseas are not aware of Islamic financial tools and mechanisms (Kaakeh, Hassan, and van Hemmen, 2018). The importance of knowledge as one of the factors affecting the patronage of Islamic banking has been proven by previous studies (Erol et al., 1990; Ahmad and Haron, 2002). These studies find that customers are aware of the existence of Islamic banking but are ignorant about the mechanisms and contracts used by these banks. Malik and Ullah (2020) argue that people gaining knowledge of Sharia in religious schools develop their beliefs (principles) on compliance and accountability before God. They develop their attitude of avoiding prohibited elements in banking like interest, uncertainty, and gambling. When they join an Islamic bank, they try to follow their principles and hence, a difference emerges among bankers and Sharia experts which sometimes leads to a struggle for dominance. On the contrary, Nora (2019) found no evidence that customer knowledge about Sharia banking products and services can increase the intensity of customer repurchasing intention. She argues that Banks should have better understanding about customers' needs and expectations and they need to create pleasant comfortable atmosphere for customers.

The findings in this study generate some theoretical and practical implications. The theoretical implications are related to customer intimacy and antecedents (trust, religious commitment, and customer knowledge, relational commitment, and re-purchase intention). Bley and Kuehn (2004) studied the level of knowledge of Muslims about Islamic finance mechanisms and contracts in UAE. They conclude that compared to non-Arabic Muslims, Arabic Muslim students showed a higher level of knowledge about Islamic banking concepts and mechanisms, with the general level of banking knowledge being low for all students. Also, Wahyuni (2012)

highlighted the positive correlation between the level of knowledge of customers about Islamic finance contracts and their willingness to deal with Islamic banks.

Furthermore, Saiti (2015) studying awareness and attitudes toward Islamic banking in Malaysia asked these questions: “to what extent are local people aware of the culture of Islamic banking?”, “what is the attitudes of local people towards Islamic banking?”, and “what are the bank selection criteria for the local people?” (p. 174). His results suggest that Muslim consumers know more about Islamic banking principles and understand more the meaning of the fundamental terms (*Riba, Shariah, Ijara, Mudarabah, Musharaka, and Murabaha*) used in Islamic Banking and finance than their non-Muslim counterparts. The author observes that non-Muslims have less knowledge about the fundamentals of Islamic banking and principles despite living in a majority-Muslim country. The study concludes that, in general, Muslims are drawn to Islamic banks mainly because of their religious belief. Similar results were found in India (Islam and Rahman, 2016).

A study in India by Islam and Rahman (2016) found that the majority of Indian Muslim respondents lacks an understanding of how Islamic banking works, and lacks knowledge about the fundamental Islamic banking terms. A few are aware about the existence of Islamic banking and Sharia, but less have knowledge about its products. The authors believe that it is the non-availability of Islamic banks I the country that affects the knowledge of people about Islamic banking products and services. They also conclude that the majority of people are willing to adopt Islamic banking or switch to Islamic banks, if more Islamic banking institutions are available in the country.

Rammal and Zurbruegg (2007) analyze the extent to which Australian Muslims have knowledge of profit-loss sharing financial instruments and the willingness to purchase Islamic banking products. They surveyed a sample of 300 Australian Muslims and conclude that the

majority is willing to purchase such products but lacks information and understanding about Islamic banking principles in general. Results also suggest that people would be willing to purchase Islamic banking products only if traditional credit facilities are not available. The first Islamic banking organization in Australia was developed by the Muslim Community Co-operative Australia (MCCA) in 1989 (Rammal and Zurbruegg, 2007).

Khan (2015) argued that one of the problems with which Islamic banks are faced is the lack of a qualified and experienced staff. Islamic banks' employees are recruited from conventional institutions, which, explains the lack of knowledge about Sharia-compliant products and services which are the core of Islamic banking. Consequently, the inability of Islamic banks' employees to differentiate between what is Islamic banking and what is conventional banking engenders negative perception, misconceptions, and negative attitudes, thereby hindering Islamic banks' growth. Ali et al. (2018, pp. 71-72)) submit that: "the dearth of qualified Islamic bankers remains a serious issue and needs to be arbitrated to actualize the development of expected growth of Islamic banking. Islamic banks are predominately dependent upon skill, knowledge, expertise, experience, and efficiency of its employees. It is imperative for Islamic bankers to possess substantial understanding, awareness and knowledge of the difference between Islamic and conventional banks for the promotion and growth of actual Islamic banking" (also Bashir et al., 2011; Zainol et al., 2008). Ali et al. (2018) comment that regardless of the growth, Islamic banking is facing a shortage of skilled, knowledgeable, and trained employees. Therefore, the corresponding hypothesis is:

H2. There is a statistically significant association between the knowledge that consumers have about Islamic banking and their attitudes towards Islamic banking.

#### 2.4.7 Measurement of knowledge about Islamic banking

Studies measuring knowledge about Islamic banking focused on familiarity with its products,

including Ijarah, Mudarabah, Musharaka, and Tawarruk (Saiti, 2015; Islam and Rahman, 2016).

For example, Saiti (2015) explains them as follows:

The first product is called “Ijara” and involves a bank purchasing an asset and leasing it to a “client. The second product is called “Mudaraba” and involves a contract being entered into between an Islamic bank and a client whereby the Islamic bank provides all the capital a client needs for an enterprise. The client receives a share in the profit as compensation for his know-how and management. The third product is called “Musharaka” and it is very similar to “Mudaraba”. However, with “Musharaka”, the client provides a proportion of the capital in addition to management and know-how. The fourth product is called “Murabaha” and involves an Islamic bank purchasing goods, or raw materials, or equipment, or machinery or any other items of economic significance from a third party at the request of a client. These “goods” are then sold by the bank to the client on a spot or deferred payment basis at purchase price plus an agreed profit for the bank (some describe this as cost-plus or mark-up financing) (p. 175).

To measure respondents’ knowledge about these banking products, Saiti (2015) asked respondents if they were familiar with those terms. He found that in Malaysia, Muslims had moderate knowledge about these compared to the non-Muslim respondents who had no or little knowledge. He also measured the correctness of their understanding of these products, and found differences in understanding regarding each product. Whereas the understanding of Riba (86%) and Sharia (74%) was correctly understood, that of Ijarah (43.5%), Mudarabah (43.5%), Musharaka (40%), and Murabaha (35%) was less correctly understood by Muslim respondents.

Islam and Rahman (2016) also used the same measurement in their study and ask people whether they know about Ijarah, Mudarabah, Musharaka, and Murabaha. They concluded:

“Majority of the respondents do not have knowledge about basic Islamic banking terminology. With 77 and 68 per cent of the respondents responding affirmatively to the terms “Shariah” and “Riba”, respectively, this is probably because of the common use of these two terms in the Islamic literature. On the other hand, most of the respondents did not know the terms like Musharaka, Mudharaba, Ijara, Murabaha, Takaful and Sukuk” (p. 95).

#### 2.4.8 Religiosity and consumer behavior

Religion is part of the fabric of the cultural and social foundations of human attitudes and behaviors. Religion has always held and continues to hold a central place in understanding and predicting human behavior (Albelaikhi, 1997). Religion has an influence on the values and behaviors of people (Mokhlis, 2009). Albelaikhi (1997, p. 5) asserts, “religion is seen as a real fact of the human experience and believed to be an important factor in the construction of the individual’s personality, and a critical part of life.” Yet, it is crucial to note that the terms “religiosity” and “religion” are often used interchangeably to define the same concept; that is an individual’s veneration, devotion and conviction towards a divinity (Nizar and Marzouki, 2015). Nizar and Marzouki (2015) and Mathras et al., (2016) define religion as a structured order of beliefs, symbols and rituals to enable an individual closeness to God and as a guide for the individual relationship with others, which means that it offers its followers a specific set of beliefs, rituals, values and community. In a similar fashion, Kim Shyan et al. (2004) define religion as the ideals for life, reflecting in the follower’s values and attitudes. Religiosity, on the other hand, indicates a person’s degree of adherence to the religious practices in day-to-day living (Mansour and Diab, 2016). Hence, religiosity is an indication of ones’ derivative towards his or her religion.

Not only that, but also Mathras et al., (2016) maintain that the personal commitment to comply with the divine rule could affect not only his or her personal social communication but also in making decisions on selecting and consuming the product and service. Therefore, the discussion on the definition of religiosity strongly relates to customers’ attitude. Nizar and Marzouki (2015) further argue that one’s beliefs are likely to be strongly related to his/her religion, either directly via sacred texts, or indirectly through individual culture.

On the other hand, Peifer and colleagues (2019), in their paper on science commercialization and religious traditions, argue that although previous studies have demonstrated that specific religious beliefs help explain economic outcomes like patenting, innovation, and economic growth, there is still limited research on the role religious tradition plays in shaping attitudes toward commercialization. They also demonstrate that ‘seemingly’ unrelated factors such as religion can have an important influence on market processes.

The concept of “faith” and “investing” may seem to have little to do with each other. The very notion that rational and precise calculations of self-interest in financial markets overlap with the abstract world of religion and belief may even seem absurd. However, the two concepts are undeniably linked, and faith-based investing has grown significantly since the second half of the 20th century (Zhang et al., 2019).

Despite the robust growth in this field, faith-based investments are an understudied and poorly explored facet of finance. This could be explained by the fact that unlike other investment practices, faith-based investing involves a plethora of different faiths, with myriad ways of interpretation. Hence, uniform guidelines or prescriptions regulating this investment practice are starkly absent. For instance, with regards to the Christian faith, Evangelical and Protestant denominations of the religion have very different interpretations of what constitutes Christian investment practices from investors of the Roman Catholic or Methodist Christian denominations. Similarly, Islamic investors belonging to the Sunni sect of the religion may have different explanations of what is and is not Sharia compliance compared to investors belonging to the Shia sect of the same religion. Additionally, even within each sect of any one religion, there remain varying gradations of interpretation as to what constitutes compliance, such interpretations varying widely across jurisdiction and investor type.

People have diverse intensities of religiosity and can be distributed into four groups: the non-religious, the less religious, the moderates, as well as the most religious. Their expenditure habits appear to differ in accordance with their level of religiosity. For the less religious, the faith issues are never given attention and neither does their impact on consumption choices (Butt, et al., 2011).

Religion is likely to require that people follow a particular standard of living and impacts their morals and ethics, including their financial affairs, their consumption behavior and purchase. For instance, Muslims are prohibited from eating pork-based products or non-Halal foods. Likewise, Jews should make use of kosher products, and Christian women must dress modestly and should not wear gold (Amin et al., 2013). Many researchers have studied the role of religion in customer buying habits (Ali and Farrukh, 2013). Nora (2019), for instance, examines the influence of religious commitment on customer intimacy and its impact on relational commitment and repurchase intention using two dimensions to measure religious commitment: intrapersonal and interpersonal. This study shows differences in consumer behavior, which are more obvious for religious commitment than for religious affiliation. The differences mean that religious commitment has a strong potential as a predictor in determining consumer behavior. The study concludes that stronger religious commitment strengthens customer intimacy.

#### 2.4.9 Religiosity and Islamic banking

Research reports a positive association between religiosity and customer attitude and behavior in the Islamic banking sector and in other products (Wahyuni and Fitriani, 2017). There is an evident influence of religiosity on Muslim consumers that was observed across the spectrum of the reviewed studies (Salam et al., 2019). For example, a study on the dynamics of Muslim consumers' behavior provides a new body of evidence showing that Muslim consumers are inclined to follow

special rules regarding consumption based on Islamic law (Al-Kwafi et al., 2019). This study's findings show that Muslim consumers present different cognitive reactions toward Halal and non-Halal products emphasizing that Muslims are concerned with following their religious beliefs.

In fact, earlier studies have identified that religion was the primary criterion among Muslims to choose to do business with Islamic banks (e.g., in Bahrain, Metawa and Almosawi, 1998, Naser et al., 1999; in Malaysia, Amin et al., 2011; in Pakistan, Awan and Bukhari, 2011; in Sudan, Bashir, 1999; in Jordan, Bley and Kuehn, 2004; in China, He et al., 2022). Some analysts consider religiosity to be the most important issue. He et al., (2022), for instance, argues that religious obligation is one the most influential factors on Chinese Muslims' intention to adopt Islamic banking, making the level of religiosity an important factor of Muslims' conduct and buyer behavior. However, other studies show that Sharia compliant REIT investors face no cost or gain in their investments as a result of their faith, reflecting that there is no evidence of outperformance or underperformance when all the Sharia compliant portfolios of REITs were compared against the Equity REIT portfolios (Zhang et al., 2019).

In a study on loyalty towards Islamic banking, Suhartanto and colleagues (2019) argue that customer loyalty is more driven by emotional attachment and religiosity rather than by perceived service quality, which is an unprecedented result. The results further reveal that customers' emotional attachment affects their loyalty towards Islamic banks both directly and indirectly through their satisfaction. Additionally, their results show that religiosity is an important determinant of loyalty.

Not only that, but also the result of the mediation test suggests that the effect of religiosity on loyalty is direct rather than through satisfaction. This result advocates that, for Islamic bank customers, religiosity does not strengthen their satisfaction towards the Islamic bank as a financial



institution, but directly affects their intention to remain the bank's client and endorse the bank to others. Therefore, the level of religiosity has been found to be an important factor of Muslims' conduct and buyer behavior.

Islam as a religion is founded on five pillars. These five pillars define the individual as a Muslim as compared to other religious denominations. However, the five pillars do not explain the degree to which a person is religious or not –hence the importance of religiosity. Muslims must also observe other rules inscribed in the Quran and followed and taught by Prophet Mohammad (Peace Be upon Him). Typically, a Muslim must pray five times a day, fast the month of Ramadan, pay zakat (the amount of money that every mentally stable and financially able adult has to pay to support specific categories of needy people), and perform the pilgrimage ritual (Hajj) once in a lifetime. However, Muslims not only differ from other religious members, but differences do also exist among Muslims based on adherence to Islamic principles (Sharia teachings).

In addition to the observance of the five pillars of Islam, Muslims are, for example, forbidden from consuming alcohol, serving alcohol, or selling alcohol, participating in gambling activities, and partaking in prostitution and adultery (Zamani-Farhani and Henderson, 2010). In addition, Muslim women are further required to follow an Islamic dress code (covering the whole body except the hands and face) when dealing with men except first class family members (father, brothers, husband, children, uncles, and grandparents) (Zamani-Farhani & Henderson, 2010).

It is, however, a fact that “Not all Muslims strictly follow these teachings. For example, some Muslims do not perform the five prayers daily, do not pay zakat, do consume alcohol, and/or refuse to follow the Islamic dress code. These variations among Muslims are the determinants of religiosity” (Al Jawhari, 2015). For example, Al Jawhari defines Islamic religiosity as the “levels of belief in God accompanied by the degree of commitment to follow principles believed to be set

forth by God and Prophet Mohammed” (Al Jahwari, 2015, p. 110-111). Religiosity has been and continues to be used in the social-psychological discourse to measure beliefs, attitudes, and behavior (Wearing & Brown, 1972). However, measuring religiosity is not an easy task due to the complexity of the concept (Albelaikhi, 1997; Farah and El Samad, 2014; Bin Masood, 2018).

The consumer habits of Muslims gravitate around the values, attitudes, norms and culture that are subject to their faith in their analysis of, for example, car purchase, clothing, and food purchases in Islamic nations (Awan and Shahzad Bukhari, 2011). Faith orders the way of life of spiritual people. People’s way of life is determined by their level of spirituality. However, a difference is supposed to be made between Muslims’ principles and their (real) habits. For example, there is a likelihood of finding Muslims who trust in the values of their faith but take forbidden services/products. The meaning of the Muslim customer is not as open as it might appear (Butt et al., 2011).

Being born a Muslim does not automatically mean that an individual does essentially consume, adopt, or search for products and services that comply with Shariah laws (El and Ragab, 2018). Alcohol beverages are common product consumed in some Muslims countries. Eating at restaurants and hotels that do not offer Halal foods is also a common practice with Muslims. Therefore, the consumption patterns and behaviors of Muslim consumers is not solely based on Islamic values but is also grounded in cultural practices and habits (Cader et al., 2013).

In fact, there are Muslims who consume non-Sharia compliant/unlawful goods and services, acknowledge that their actions are wrong, but feel sorry about their choices or conducts (Chaker and Jabnoun, 2010). There are also Muslims who concede that their actions contravene with Islamic values but are not remorseful of their conducts’ and services’ choices. Others are less likely to concede or consider that their action are contrary to Islamic values and therefore indicate

no guilt (Cerović et al., 2017).

Although Islam forbids transacting with penalty charging financial institutions, a number of Muslims are not adhering to this value. There is the argument that Muslims do so because they do not evidently realize or recognize the “non-halal” feature of conservative financial institutions (Cerović et al., 2017). They perceive Islamic banking as an uncommon practice and not easily accessible. For example, the original Tunis Islamic financial institutions started operating in 2010. Previously, Tunisians were having no option but to transact with conservative financial institutions (Awan and Bukhari, 2011). This is also the case for Muslims living in non-Islamic nations where Islamic banking activities are not available. The other reason that explains why Muslims do business with conservative financial institutions is linked to a low level of spirituality (Ali and Farrukh, 201).

Although spirituality is taken to be an important issue in the selection of a financial institution for Muslims, analysts are undecided about its significance in impacting Islamic consumer’s choice (Amin et al, 2013). Some analysts consider religiosity to be the most important issue. However, others consider it to be of a lesser significant factor. For various merchandises (for example clothing and food), Islam prohibits some selections and meaningfully impacts approaches, either adversely if the services/merchandises are prohibited by Islam (that is haram), or constructively in case they are permitted (that is halal) (Butt, et al., 2011). The actual meaning of acquired spirituality proposes that it is intensely linked to outlook. Principles signify the evidence a given person has concerning the Islamic banks (Cerović et al., 2017). An individual’s principles could be intensely linked to the individual’s faith, maybe by undeviating result (through sacred texts) or by deviating result (due to the beliefs of the person, that is subjective to the faith religion) (Chaker and Jabnoun, 2010). Faith and outlook are intensely linked. Someone’s faith

adds to edifying the foundation of knowledge that explains and directs the outlooks and conduct of a person (Cader et al. 2013). It is the faith character that a person has of her/himself that affects his/her conducts and how an individual should look.

If people therefore notice that transacting with Islamic financial institution's activities is in line with their faith, their approach towards Islamic financial institutions will ideally be positive (El and Ragab, 2018). However, this appears not to be the circumstance for lots of religious individuals, who have a habit of questioning the reliability of Islamic financial institutions with Islamic values. They question how an Islamic financial institution is able to be in line with the values of Islamic banking if it functions in an atmosphere where the financial penalty value is not just significant, but supreme.

The response appears to be subject to the situation. For example, in Tunisia, financing segment rules require financial institutions to get involved with the Tunis Central Bank, and the dealings are administrated by financial penalty value set by the Central Bank independently. Therefore, these Islamic financial institutions are not able to run away from the bank interests that are prohibited by Islam (El and Ragab, 2018). Model characteristic to this kind of financial institutions, however, reasonably utilize the conservative financial penalty structure (Ali and Farrukh, 2013). In Senegal, Islamic financial institutions are freed from the financial penalty-related rules which are applicable to conservative financial institutions and are therefore measured to agree with the Islamic principles.

Disbelief about the "Islamization" of financing activities is able to cause confusion because of customers' absence of information on the type of amenities obtained from Islamic financial institutions (Amin et al., 2013). Islamic financial institutions have advanced to an extent where variances with conservative financial institutions are insignificant (Awan and Shahzad Bukhari,

2011). They continue by saying that standards explaining the advantages of (virtual) Islamic financial institutions are not perfect and are not sturdily revealing Sharia. This results to a vague standing of (digital) Muslim banks. Thus, they are required to have particular standards (for example reasonable types of finance and investment prospects) that differentiate them from conservative (digital) financing (Butt et al., 2011). For various Muslims, Islamic financial institutions are not so far completely acknowledged due to absence of information (MEcon, 2017).

Moreover, for various traditional Muslim intellectuals (and people also), Islamic financial institutions are observed as a con by present-day Muslim nations and are hence banned (that is haram) just like conservative financial institutions are, since they overtly or covertly give financial penalties-based activities (Cader et al., 2013). Therefore, the very devout persons wishing to evade whatever is prohibited or disheartened by their faith are having high probability of rejecting Islamic banking activities. Vol and Pudelco (2010), on the other hand, propose that religiosity does not necessarily correlate with low degree of interest in Islamic banking. On the basis of these studies, the following hypothesis is proposed:

H3. There is a statistically significant association between the religiosity of consumers and their attitudes towards Islamic banking.

#### 2.4.10 Measurement of religiosity

Previous studies offer several approaches and examples on how religiosity is measured. This underlines the complex nature of religiosity and sets the ground for the operationalization of this concept in the study. For example, Cornwall and colleagues (1986) divide religiosity into three factors: Cognitive religiosity or the level of individual's religious belief; Affective religiosity or the feeling an individual has towards religious people, objects, and institutions; and Behavioral religiosity, which is linked to practice and actions an individual engages in.

Most importantly, Albelaikhi (1997, p. 3) explains, “attempts to develop universally applicable religiosity measures have not been very successful, as demonstrated by the findings of some studies that attempted using certain scales with people from different cultures and belief systems.” Religiosity scales are also culture bound (Albelaikhi, 1997). Albelaikhi (1997, p. 15) also argues that “psychologists, in their endeavor to study the phenomenon of religion and its influence on people, have attempted to measure religiosity by developing different measurement scales and using different ways for measuring or estimating degree of religiosity among people being studied.” Earlier studies have argued that religiosity cannot be easily defined, and neither can it be measured with one unidimensional measurement instrument (e.g., Cline & Richards, 1965).

Research on Muslim consumers has increasingly highlighted the significance of measuring religiosity. However, there is an apparent lack of uniformity in measuring religiosity across literature on Muslim consumer research. In a study on measuring religiosity among Muslim consumers, Salam et al. (2019) reviewed 39 studies selected from the Journal of Islamic Marketing from 2010 to 2017. They maintain that the main issues in selecting the measures of religiosity include limited discussion on rationalizing the choice of a particular measure of religiosity and little consideration of the Islamic context.

Across the reviewed studies, they found limited explanation on the rationality of selecting a particular construct of religiosity. They also show that in several cases, religiosity constructs were used to categorize Muslim consumers on high and low religiosity. However, they noted that there is an important observation on the aforementioned distribution of selected religiosity constructs, that is, the limited use of constructs developed in the Islamic context.

There exist several scales that measure Muslims' religiosity in Arabic, such as "Religious Behavior Scale" (Taai, 1985), "Religiosity Level Scale" (Alsanie, 1989), and "Religious Orientation Scale (Albehairi and Demerdash's, 1988). Although these scales have great merit, they did not escape criticism. For example, Albelaikhi (1997) whose PhD thesis is focused solely on the development of a scale to measure Islamic religiosity posits that they have either factor analytic flaws, problems with categorization of items, issues related to the definition of the constructs, and/or a definitional weakness of Islamic religion. Albelaikhi's scale consists of items, or statements, that measure different aspects and distinct components of religiosity in the Islamic religious system, namely aspects of belief, attitudes, knowledge, and practice.

Albelaikhi's (1997) scale is also subject to criticism for four main reasons: (1) his sample size (108 males and 61 females) was relatively small to gauge within sample differences, more importantly (2) his participants were all Saudi students studying in colleges in Saudi Arabia, and (3) aged between 17 and 31 years with a mean age of 23.42, and (4) all Sunni Muslims. His scale consists of three subscales. The scale that measures the level of religiosity consists of 88 item statements. The results indicate that the scale is to be used cautiously because the factor loadings were not as expected by the researcher. The researcher supports the face validity of the construct but acknowledges that "extreme care and caution have to be exercised in using the scales and interpreting their results (p. 99)."

Recently, Bin Masood (2018) developed a scale to measure the religiosity of the Pakistani population. He divides the scale into dimensions of religiosity: Rituals, attitudes, and beliefs. The scale is based on 213 cases and comprises 39 items altogether. The scale's Cronbach's Alpha for reliability is .778, and Kaiser-Meyer-Olkin Measure of Sampling Adequacy gives an outcome of .663. On another and less complex research, Al Jahwari (2015) used the following scale to measure

the religiosity of Islamic banks' patrons. His scale has been validated and may be used in Islamic banking context/research projects. His scale consists of the following 25 religiosity-related statements.

1. I always perform all of my prayers on time
2. Given access, I perform all of my prayers in the mosque regularly
3. I perform the obligatory zakat (almsgiving)
4. I fast the whole month of Ramadan
5. Performing Hajj is one of my main priorities in my life
6. In my personal life, religion plays a very important role
7. My religion helps me to have a better life
8. The Prophet Mohammed is the role model for me
9. The Duaa (supplication) supports Me
10. I believe that Allah (God) helps me
11. I read the Holy Quran regularly
12. I never do haram (forbidden) things
13. I always try to avoid minor sins
14. It's okay to miss Friday prayer sometimes
15. I always keep myself away from earning a living through haram (forbidden) means/acts
16. It is acceptable to drink alcohol sometimes
17. It is okay to eat pork sometimes
18. It is acceptable to eat any meat in countries where the main religion is not Islam
19. Sometimes, I do sit with friends who drink alcohol, but I don't drink it myself
20. I regularly contribute to charity/sadaqah
21. I believe the hijab (scarf) is obligatory for all women
22. I only eat halal meat/chicken (slaughtered in the Islamic way)
23. I try to avoid mixing with the other gender
24. It is acceptable to swim with mixed genders
25. I am a very religious person.



Social desirability, participants' sensitivity and perceived offensiveness of certain statements is also an issue concerning religious scale construction, which needs to be taken in consideration when developing a scale. According to Farah and El Samad (2014, p. 351), to avoid social desirability bias the interviewer must emphasize the anonymity of the participants and avoid asking sensitive questions in the beginning. Moreover, like many others, El-Menouar (2014, p. 58) argues that a precondition for the development of scales is to have an adequate sample size and sample heterogeneity. Failure not to include these considerations results will lead to unidimensionality or to a low dimensionality solution of the scale. To cover different patterns of religiosity, the author posits:

“A precondition for the development of scales is to have a sample of the target population of adequate size and heterogeneity in order to cover different patterns of religiosity. Only in this way can the multidimensional structure of religiosity be unfolded. If only members of a specific religious community with relatively similar religious patterns were surveyed, this would affect the results and lead to a low dimensional solution (see also Huber 2003). This is why it is of high importance to capture the heterogeneity of the target population in the sample as well as possible.”

Furthermore, as the religiosity of individuals is context/country/culture bound (e.g., Bin Masood, 2018), it is imperative that a scale to measure the religiosity of Kuwaitis needs to be grounded in their cultural and religious space. For example, Bin Masood (2018) states: “For the Muslim population in Pakistan, some cultural and spatial differences would matter. For example, the questionnaire has a statement entry, “I do not enter a person’s house until I am invited”, however, the contrary is considered as a sign of love and affection in the Pakistani culture. This scale was developed in the Malaysian context and some subjectivities and biases of the context will hinder if used in other cultures” (p. 20). Another important limitation of existing scales is the length of the instrument. In any case the value of internal reliability increases with the increase in the number of scale items. Bin Masood (2018, p. 20) further argues: “the length of the scales affects

it badly. The fifty-six-item scale is very long, and people usually don't respond correctly on lengthy scales." In addition, it is important to note that knowledge about religion does not necessarily correlate with religiosity, as it is not required by the religion itself.

Also, controversial statements and technical statements that are difficult to understand by lay people can present flaws in the questionnaire (Bin Masood, 2018). Bin Masood (2018) used Quranic text in addition to the literature to extract items for his scale. His scale, based on 213 respondents, was divided into three major dimensions of religiosity: Rituals, attitude and beliefs. The complete scale consists of 39 items, with a Cronbach's Alpha for reliability of .778 and an outcome of Kaiser-Meyer-Olkin Measure of Sampling Adequacy gives an outcome of .663. Bin Masood, nevertheless, concludes: "This scale's validity can only be guaranteed for the Pakistani population because of the diverse concepts of religiosity around the world due to cultural differences and amount of modernization process. Therefore, caution should be maintained in generalizing the results to other countries" (p. 56). For example, Olufadi (2016) constructed a scale to measure daily religiosity of Nigerians. His scale depicts three constructs, including engaging in bodily worship of Allah, engaging in sinful acts, and engaging in recommended acts. Again, the item statements of the construct are related to the daily life of Nigerians.

Conducting her research on Muslim population residing in Germany, El-Menouar (2014), extracted five dimensions from her item statements. These include Basic religiosity, Central duties, Experience, Knowledge, and Orthopraxis. The descriptions of these are depicted in Table 5, below.

A few studies in Kuwait have attempted to use religiosity as an independent variable in their research, however, their merit is negligible for the purpose of the present study. Actually, no study used a religiosity scale. For example, Abdel-Khalek and Lester (2010) tried to explore the associations of religiosity with subjective wellbeing and psychological anxiety and depression

among college students in the USA and in Kuwait. They use a subjective definition of religiosity and hence measure it with only two statements: (1) What is your religiosity in general? and (2) What is the strength of your religious belief when compared to other persons? Another example is

Table 5. The five dimensions of Muslim religiosity.

basic religiosity	central duties	experience	knowledge	orthopraxis
<p>religiosity on an individual level</p> <p>differentiates between believing and not believing Muslims</p> <p>contains:</p> <ul style="list-style-type: none"> <li>- belief</li> <li>- devotion</li> <li>- sense of omnipresence of Allah</li> </ul>	<p>Religiosity on a collective level</p> <p>differentiates between practicing and not practicing Muslims</p> <p>contains:</p> <ul style="list-style-type: none"> <li>- ritual prayer</li> <li>- fasting at Ramadan</li> <li>- pilgrimage to Mecca</li> <li>- observance of dietary rules</li> </ul>	<p>responsive religious experience</p> <p>contains:</p> <ul style="list-style-type: none"> <li>- sense that Allah...</li> <li>- communicates with oneself</li> <li>- punishes behavior</li> <li>- rewards behavior</li> </ul>	<p>There is no fixed set of knowledge expected to be known by believers</p> <p>contains self-assessment of knowledge:</p> <ul style="list-style-type: none"> <li>- Islam in general</li> <li>- contents <i>Quran</i></li> <li>- contents <i>Sunna</i></li> </ul>	<p>Counterpart to orthodoxy in Christianity</p> <p>contains observance of strict religious norms:</p> <ul style="list-style-type: none"> <li>- gender relations</li> <li>- music</li> </ul>

the study by Aysan and colleagues (2018) who study the response of bank depositors to exchange rate. They compared the response of depositors at conventional banks with their counterparts at Islamic banks. “Religiosity” in their study is based on this difference.

Al-Menayes (1997, p. 239) uses religiosity as an independent variable to predict attitudes towards Israel in Kuwait. He uses only two item statements to measure the degree of religiosity of respondents: “(1) How many times per week do you attend mosque for prayer? (range between never = 0 and every day = 7); (2) How many times did you go on pilgrimage to Mecca? (range between never = 0 and more than four times =5). His conclusion is that people who pray frequently are more likely to hold negative attitudes about Israel. Examining the effect of religiosity on offensive advertisements in Lebanon, Farah and El Samad (2014) uses only one question to assess one’s religiosity: “with a 5-point Likert scale from 1 (not a devout follower at all) to 5 (a very devout follower) (p. 352). “Respondents who answered not a very devout follower, somewhat not

a very devout follower, or neutral were considered as low on the religiosity scale; whereas those who answered somewhat a devout follower, or a very devout follower were considered highly religious” (p. 352). Their result indicate that the more religious consumers are the higher their perceived offence toward offensive advertisements.

#### 2.4.11 Attitude and Consumer Behavior

Attitude has long been identified as a construct that guides future behavior or the cause of an intention that ultimately leads to a particular behavior. Attitude is referred to as the evaluative effect of positive or negative feeling of individuals in performing a particular behavior (Fishbein and Ajzen, 1975). Additionally, it can be defined as the predisposition of a person to buy a product or service (Solomon et al., 2014). What a person thinks and feels about a product or service influences their behavior towards that purchase. People hold positive, a mildly positive, or negative attitude towards an attitude object.

Attitudes can be formed at three levels: an attitude is formed because it helps the person to achieve a reward or to avoid punishments from other people (*compliance*), a person forms an attitude to fit-in through imitating the behavior of desirable others (*identification*), or forms a strong attitude towards a product because the product is congruent with the values and social identity of the consumer (*internalization*) (Solomon et al., 2014, p. 145-146). Attitude acts as a frame of reference for behavior.

According to Kind, Jones and Barmby (2007), the problem with the study of attitudes is the definition of attitude itself. A comprehensive definition of attitude comprises three components (e.g., Rajecki, 1990). Reid (in Kind et al., 2007, p. 3) clearly defines these components as follows: “(1) a knowledge about the object, the beliefs, ideas component (Cognitive); (2) a feeling about the object, like or dislike component (Affective); and (3) a tendency-towards-action, the objective component (Behavioral).” Kind and colleagues (2007) ask the question what is useful to measure

attitude, to use a scale composed of sub-scales or one simple scale? They explain that to decide on which level of attitude to operate there is a need to consider not only one's understanding and conceptualization of attitude but also to consider what it means to the subjects of the study.

#### 2.4.12 Attitudes towards Islamic banking

Various studies have found that attitude and behavior have a positive association. For instance, in the area of Islamic banking products, Taib, Ramayah and Razak (2008) examine factors that influence intention to adopt diminishing partnership home finance in Malaysia and find that attitude has a positive relationship with intention. A similar result was reported by Gopi and Ramayah (2007) in their study about the factors that influence intention to use online trading in Malaysia.

This positive association between attitude and intention was also found among the customers of Islamic banking services (Echchabi and Aziz, 2012; Wahyuni, 2012). In this empirical study, the researchers find that the greater the attitude on Islamic banking the greater the intention to use Islamic banking. Furthermore, many researchers have focused on the study of attitudes by using survey research, and some of this research is about Islamic banking and products. Sabirzyanov (2016) argue that attitude is a predictor of a customer's intention to deal with an Islamic bank. In the same vein, Amin (2012) find that attitude affects customers' intention to select an Islamic credit card in Malaysia. Furthermore, Amin et al. (2013; 2014) found that attitude affects a customer's willingness to choose Islamic home finance. Also, attitude, along with subjective norm, perceived behavior control and religious obligation directly influence intention to use Islamic banking. Based on the previous studies examined in this section, the corresponding hypotheses are:

H4. Consumers' attitude towards Islamic banking predicts the choice of their bank account type

H5. Attitude mediates the association between knowledge and account type choice.

H6. Attitude mediates the association between religiosity and account type choice.

H7. Attitude mediates the association between perception and account type choice.

#### 2.4.13 Measurement of attitudes

Attitude elements can be measured by single-item scales or multiple-item batteries. Single-item approach to attitude which is a simple way of measuring attitude offers a simplistic view of the construct. This approach often asks respondents to rate their overall level of agreement or feeling about an attitude statement on a Likert scale. Such a statement could, for example be, “how positive are you regarding Islamic banking?” The multiple-item approach acknowledges the complexity of the construct and measures this complexity by asking respondents to rate their opinion for a multitude of attitudinal item statements. Respondents’ reactions are then combined into an overall score. Echchabi et al., (2016) use structural equation modeling to measure the adoption of Islamic banking services and products by Tunisian customers and found that the attitude dimensions have a significant impact on the Tunisian customers’ intention to adopt. Attitude statements are developed from different sources in the literature. An example of attitude statement to be used in the questionnaire of the present study is presented as follows:

1. I have a positive attitude towards Islamic banking (Rezwan et al., 2015)
2. I trust Islamic banking (loo, 2010)
3. I think that Islamic banks have a good reputation (Rezwan et al., 2015)
4. I would recommend Islamic banking (Rezwan et al., 2015)
5. I don’t believe in Islamic banking (Rezwan et al., 2015)
6. I have an ambivalent feeling about Islamic banking (Rezwan et al., 2015)
7. I see a strong prospect of Islamic banking (Loo, 2010)
8. I think positive about Islamic banking (Loo, 2010)
9. I am willing to do business with Islamic banks (Loo, 2010)

10. I think more people will buy Islamic banking products and services (Loo, 2010)
11. Islamic banking is attractive to me (Loo, 2010)
12. Do you agree that if more branches of Islamic banking institutions open up throughout a country, more people will utilize the services provided by these banks? (Saiti, 2015)
13. Do you agree that the granting of interest-free loans by Islamic banks is considered a contribution on the part of the bank to help the community in a just and efficient manner? (Saiti, 2015)
14. Do you agree that the elimination of pre-determined interest rates charged on loans provided for investment projects, purchasing cars and financing on the basis of profit-loss-sharing between the bank and the borrower will be advantageous to the borrower? (Saiti, 2015).

#### 2.4.14 Demographic factors and impact on purchase behavior

Consumer behavior can be studied from different perspectives (Solomon et al., 2014). As has been mentioned earlier, studies present similar and different results, namely because of the study's context (Kaakeh, 2019). For example, examining the behavior of Islamic banking customers, Metawa and Almosawi (1998) focus on profile analysis of the respondents in Bahrain. These are found to be well educated, the majority of which is aged between 25 and 50 years old. They are mostly satisfied with the banks' products and services, and the most important criteria for selecting a bank are adherence to the Islamic principles and the importance of rate of return.

Metawally (1997) find that in Qatar older people, females, low-income employees, with moderate education level, and employees in the public sector are more likely to prefer Islamic banking over non-Islamic banking. Comparatively, younger, high educated, high-paid public sector employees or professionals prefer conventional banking.

In Malaysia, Zainuddin et al. (2004) find that Islamic banks' patrons are older than 30 years of age and married, compared to their counterparts who are younger, single, and have lower

income. According to Kaakeh (2018), most of the demographic studies highlight the prevalence of women over men in the acceptance of Islamic banking with the majority are married women. Investigating the intention to purchase Islamic banking products and services of the Muslim community in Spain (Spanish, Pakistani, and Moroccan), Kaakeh (2018) concludes that these show no inclination to purchase, and “other Muslims category: Gambian, Bangladeshi, Jordanian, etc.” shows a negative inclination towards Islamic banking. He suggests that the more a community is established in the country the more the likelihood to purchase, as is the case of the Moroccans in Spain where their number is bigger, and the less a community is established the lower the likelihood to adopt Islamic banking. The profile of those who would purchase would be male, with no university degree, motivated by religion, and have no adequate knowledge about the Islamic finance system. The participant with a university or higher degree (MA or Ph.D.) showed a negative attitude towards Islamic banking. The same study done on a UAE sample finds that attitude and awareness affect intention directly, while image, awareness, compliance with Shariah, and individualism affect attitude directly and intention indirectly mediated by attitude. Kaakeh’s (2018) study is interesting; however, his dependent variable is not actual purchase but intention to purchase. Intentions do not necessarily eventuate in purchase. Intention is a proxy for behavior.

As has been supported by Chandon and colleagues (2005): “it is well known that consumers’ self-reported purchase intentions do not perfectly predict their future purchase behavior, nor do these differences cancel each other out when intentions and behavior are aggregated across consumers” (p. 1). They further conclude that their results strongly call into question the common practice of extrapolation from the intentions of a sample to the general population. Moreover, the measurement effect should also be taken into consideration. That is, merely asking people about their intention to buy a car or a computer increases the likelihood of



their purchase (e.g., Fitzsimons and Morwitz, 1996). Therefore, demographic variables can play a controlling role between the variables.

#### 2.4.15 Conclusion

According to Creswell (2014), a literature review can be didactic or inductive, depending on the nature of the research. If the research conducted is qualitative then the corresponding literature is inductive. If the research orientation is quantitative then the background literature is deductive in nature, which means that the author must find a background that advances the existing theories that explain the occurrence of a phenomenon. Here, the research starts from providing a general discussion to introduce the research topic and end with a more focused discussion that justifies the research hypotheses developed for the study.

Accordingly, in this literature review chapter, a general overview of Islamic finance and Islamic banking was presented, followed with a background about experience related to consumer behavior of Islamic banking product and services and the factors that influence purchase decision. These include consumers' religiosity, their perceptions about Islamic banking, their knowledge about it and attitudes towards it. This discussion has paved the way for the development of the study's hypotheses to be tested in the Kuwait's context.

#### 2.5 Chapter 2 Summary

The literature begins with an overview of Islamic finance and then moves on to discuss Islamic banking, highlighting how it differs from traditional banking and offering a number of case examples and criticisms. This basic introduction will be followed by a more concentrated endeavor to provide a theoretical framework for the development of the conceptual model and study hypotheses. Figure 6 illustrates the conceptual model that outlines the research constructs: perception of Islamic banking, measurement of it; knowledge of Islamic banking, measurement of it; consumers' religiosity, measurement of it; attitudes toward Islamic banking, measurement

of it; and finally, purchase behavior toward Islamic banking, including a section about demographic variables that influence the purchase of Islamic banking products and services.

According to Bizri (2014), the Islamic banking system is a component of broader Islamic finance models and an approach to economic activity centered around the principles of Sharia, or Islamic law. According to the Institute of Banking and Insurance, an Islamic banking system is one in which all transactions and activities adhere to Sharia, or Islamic law. The institution contends that although Islamic banks serve the same functions as conventional banks, they do so by placing a strong emphasis on moral and ethical principles that support economic growth and equality (Bitar, 2014, p. 7).

There are parallels and divergences between Islamic and mainstream banking as observed by analysts. It has been discovered that Islamic banking promotes equitable income distribution and reduces income inequality by carrying out the same intermediary function as traditional banking but without charging depositors or receiving predetermined interest from borrowers (Putriani and Prastowo, 2019).

Although the Middle East and North Africa (MENA) region has a relatively high demand for Islamic banks (Buallay, 2019), there is a perception that not all banks with the Islamic name adhere to Sharia law and that there is a chance of non-compliance.

The proposed rules and guidelines that can be used to explain the market, competition, innovation, organizational culture, and culture of the firm are known as theories of business. A handful of theories are especially created and relevant to the primary domains, such marketing, operations, customer relations, and business models. The frameworks and models that are being presented are meant to support and aid businesses or enterprises in the development of marketplaces, modernity, organizational culture, and competitiveness. The fundamental building

blocks of any business management, these models aid in comprehending the dynamics of the current, more complicated and unpredictable corporate world. Consistency theories, such as balance theory, congruity theory, theory of cognitive dissonance, and integration theory, have been utilized extensively in research to explain consumer behavior (Walther et al., 2012).

Development of Hypotheses was demonstrated in this section, the construct is introduced broadly and its relationship to Islamic finance is discussed. This was followed by the presentation of the related hypothesis.

## CHAPTER 3 RESEARCH METHODOLOGY

This chapter discusses the methodological basis of the study. This includes a discussion of the research design and its philosophical approaches, the researcher's world view, and research methods triangulation. But, before delving into this discussion, it seems appropriate to first explain why the study takes place in Kuwait and give some important details about the study area.

### 3.1 Why Kuwait

The focus of this study is on shedding light on the Islamic banking phenomenon from a consumer behavior perspective, taking Kuwait as a case study. Besides the geographical convenience, in that I am a Kuwaiti living in Kuwait; as explained before, it is perplexing to me that still over one half of the country's Muslim population is not patronizing Islamic banks, despite the importance of religion in their life.

The Kuwaiti banking system began in 1941, when the first banking and financial institution in Kuwait, a branch of the British "Iranian Imperial Bank" (as it was known at the time) opened. On May 19, 1952, the first Kuwaiti bank, the National Bank of Kuwait (NBK), was formed; NBK began operating on November 15, 1952. In 1977, Islamic banking was launched in Kuwait with the establishment of the first Kuwaiti Islamic bank, Kuwait Finance House (KFH). (AlKulaib et al., 2013).

The Kuwaiti banking sector is the core of the financial system in Kuwait. The central bank of Kuwait is pushing to make banking regulation and supervision meet international standards. Banks in Kuwait have benefited from strong economic growth during the past few years due to high oil prices and production. The increasing of domestic demand for raw materials and other consumer items has fueled demand in non-oil activities, especially in the banking sector. Furthermore, the government's efforts to diversify the economy and improve the investment

climate through regulatory and structural measures in various sectors have augured well for the banking sector (Al-Mutairi and Al-Omar, 2009).

### 3.1.1 Study area

The state of Kuwait is located in the northwest region of the Arabian Gulf, and its capital is Kuwait City. The eastern side of Kuwait overlooks the Arabian Gulf, the north of Kuwait lies the Republic of Iraq, and to the southwest is the Kingdom of Saudi Arabia (Figure 7). Kuwait used to be known as Qurain, which means an elevated area, in the early nineteenth century. The name Kuwait is derived from “koot”, which denotes a fortress or castle and means a fortress-like structure built by the sea. Kuwait is considered the gate to the northeast part of the Arabian Peninsula. The state includes some islands, one of which (Failakah) used to be inhabited before the Iraq invasion of Kuwait. The total area of the state is 17,818 square kilometers of mostly desert land, and the scarcity of water is one of the major physical problems. Kuwait became an independent state on June 19, 1961, when Sheikh Abdullah Al-Salem Al-Sabah, president (Amir) of Kuwait at that time, cancelled the treaty signed on January 23, 1899, between Kuwait and Britain (Kuwait Central Statistics Bureau 2015).

Before the oil era, Kuwaiti people got their income from pearling, fishing, boat building, and sea-going trade. However, due to the discovery of oil and the growth of the cultured pearl industry, led by Japan, the job opportunities have expanded, and people have been drawn away from their traditional jobs. The appearance of Kuwait as an oil country has transformed the nation from one of a low per-capita incomes to one of a high per-capita incomes in a short time. The Kuwait economy is now mostly dependent on oil. Petroleum accounts for nearly half of the GDP. National data show that the GDP increased from \$37.72bn to \$111.76bn between 2000 and 2007. The rise in oil prices during 2008, especially during the first half, supported the high GDP growth rate. In the past few years, the average annual growth rate of the GDP was 5.15%.

The balance of payment has also increased rapidly in the last few years. The booming oil prices as well as the expanding economy have both played a major role in the Kuwaiti economy. Hence, exports have grown faster than imports, resulting in a positive increase for the balance of payment. Moreover, increasing government revenues from oil exports have had a positive impact on the Kuwait government's budget.



Figure 8. Kuwait and bordering countries

### 3.1.2 Population of Kuwait

Based on the Public Authority for Civil Information's latest estimation made on 31-12-2018, the population of Kuwait was 4,621,638 of which 14,031,13 are non-Kuwaiti nationals/expatriates (PACI 2018). In the 1940s and 1950s the Arab gulf witnessed a significant increase in the number of expatriate workers from foreign and Arab countries. The flow of oil revenue in the GCC economy has increased the demand on foreign labor power to work on construction fields. Over the past 40 to 50 years, Kuwait faced a rapid population increase. Its population in 1957 was about 206,473 persons.

The expatriates constituted around 45% of the total population. In 1961 the expatriates' rate grew to 50%. This increase in the population and expatriates' rates continued until 1980. In 1980 there was a noticeable change in the expatriate rate. It became 58% and increased to 75% in

1985. As for the 1990, the total population was 2,141,465, of whom 72% were expatriates. The Iraqi invasion of the country led to a significant change in Kuwait's population. In 1995, the total population was about 1,577,598 people, of whom 58% were Non-Kuwaiti. In 2005, the population increased to about 39% to record 2,193,651 with 1,33,327 non-Kuwaiti and 860,324 Kuwaiti. The latest figures show that Kuwaiti nationals constitute 30% while 70% of the total population are non-Kuwaiti nationals (PACI, 2018).

Arabic is the official country language, but English is widely spoken and understood, particularly in commerce and industry. It is an overwhelmingly Muslim country (95%), with Christian and Hindu minorities (Kuwait Central Statistics Bureau, 2015). Due to its location in a desert geographic region, the country's climate is characterized by long dry very hot summer, with wind dust storms and humidity, and short warm winters with little rain.

### 3.2 Methodological basis of the study

Creswell (2014) explains that "in planning a study, researchers need to think through the philosophical worldview assumptions that they bring to the study, the research design that is related to this worldview, and the specific methods or procedures of research that translate the approach into practice" (p. 34). This section explains the philosophical and methodological choices made for this study. The discussion is based on the seminal research methods book by Creswell (2014, [1994]), *Research Design: Qualitative, Quantitative and Mixed Methods Approaches*. This source of literature is important because it explains the above three approaches for conducting research, in a comparative way. As will be explained further, this study employs a mixed methods approach, where a combination of quantitative and qualitative approach and design is employed.

Creswell (2014) summarizes what research approach is as follows:

“Research approaches are plans and the procedures for research that span the steps from broad assumptions to detailed methods of data collection, analysis, and interpretation. This plan involves several decisions, and they need not be taken in the order in which they make sense to me and the order of their presentation here. The overall decision involves which approach should be used to study a topic. Informing this decision should be the philosophical assumptions the researcher brings to the study; procedures of inquiry (called research designs); and specific research methods of data collection, analysis, and interpretation. The selection of a research approach is also based on the nature of the research problem or issue being addressed, the researchers’ personal experiences, and the audiences for the study” (p. na).

Based on the nature of the study’s research problem, its research questions, the available literature, and research context (Creswell, 2014), the most appropriate research method and design for this inquiry is a mixed methods research and subsequently design. The idea of combining quantitative and qualitative approaches in a research project has also been supported by many research methods scholars (e.g., Denzin, 1978; Yin, 1993). As will be explained further, the research for this study involves collecting quantitative and quantitative data from consumers.

### 3.2.1 Researcher worldview

There are different windows from where the researcher looks at a phenomenon to help him/her to make sense of his/her observations pertaining to the understanding of the phenomenon under investigation. Citing Guba (1990, p. 1), Creswell (2014) defines worldview as “a basic set of beliefs that guide action” (p, 35). According to Creswell, Worldview is also used interchangeably with epistemologies, ontologies, or research methodologies. The researcher’s worldview is important, in that it shows his/her general philosophical orientation about how he/she sees the world and how knowledge about the research phenomenon is gained. There are different windows from where the researcher looks at a phenomenon and which help him/her to make sense of his observations pertaining to the understanding of the phenomenon under investigation. Creswell (2014) calls it paradigmatic view. There are basically four worldviews: positivistic, constructivist,



pragmatic, and transformative. The researcher must, thus, decide which research design is most appropriate for his/her study. Creswell’s framework for research (Figure 16), clearly depicts the interrelationships between worldview, design, and research method.

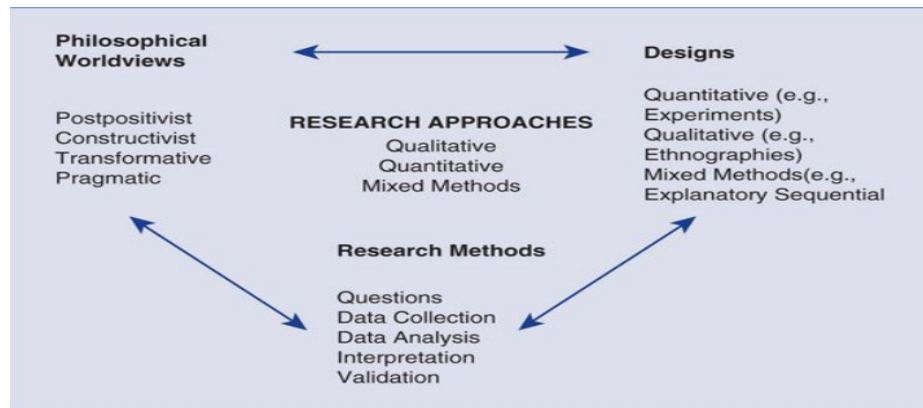


Figure 9. A Framework for Research -The Interconnection of Worldviews, Design, and Research Methods. Source: Creswell, 2014, p. 35.

### 3.2.2 The positivist worldviews

The positivist worldview is also referred to as the scientific method or empirical science. This research tradition was championed by 19<sup>th</sup>-century writers and philosophers, such as August Comte, John Stuart Mill, Emile Durkheim, Isaac Newton, and John Locke. “Positivists hold a deterministic philosophy in which causes (probably) determine effects or outcomes” (Creswell, 2014, p. 36). The researchers rely on careful observation, numerical measures, and experiments to understand relationships that explain a social world phenomenon. According to positivists, there are laws and theories that govern the world, and which can be explained through verification, hence the development and use of hypotheses in quantitative studies. It is important to note that a positivist’s inquiry first begins with a theory in mind then collects data to support or refute the theory. The process is repeated to conduct additional tests to make necessary revisions for empirically sound conclusions. Positivists believe in one truth and objectivity. However, they also believe that “absolute truth can never be found”, but through more observations and experimentations they can

understand causal relationships. Hence, the paramount importance of validity and reliability in quantitative research. Importantly as well is that positivists believe that they cannot explain a phenomenon fully but instead focus on a few perspectives -the interrelationships between a few variables (Creswell, 2014).

### 3.2.3 The constructivist worldview

The early champions of the constructivist worldview are Mannheim, Berger and Luekmann, and Lincoln and Guba. Lincoln and Guba's (1985) seminal book *Naturalistic Inquiry* popularized the constructivist worldview in the social sciences. According to this view the researcher interprets the outcome of his/her research in collaboration with the people who are interviewed, in that understanding is co-constructed between the researcher and the participants.

Thus, the claim of the constructivist researcher is that individuals develop subjective meanings of their experiences with objects or things; hence the belief in the social construction of reality (Creswell, 2014). These meanings, Creswell explains, "are varied and multiple, leading the researcher to look for complexity of views rather than narrowing meaning into a few categories or ideas" (Creswell, 2014, p. 37). That is there exist multiple realities of how to interpret occurring phenomena. Accordingly, the researcher must also understand the context of the research, wherein historical and cultural norms and settings affect the responses of the researched. Subsequently, unlike the positivist researcher who is testing a theory (deductive approach), the constructivist research is interested in inductively developing a theory of pattern of meaning. To accomplish this, the constructivist researcher uses the qualitative research design with the preference for asking participants questions through the art of interviewing, and let them speak, in the sense that the latter become the researcher's conversational partner for sense making.

#### 3.2.4 The transformative worldview

The researcher who adopts this worldview holds the philosophical assumption that as there are individuals in society who are marginalized, discriminated against, and oppressed -the voiceless, there is a need to give them a voice through research and through listening to their world. To achieve social justice individuals including, “racial and ethnic minorities; persons with disabilities, indigenous and postcolonial peoples; and members of the lesbian gay, bisexual, transsexual, and queer communities (Creswell, 2014, p. 38) must be heard.

According to Creswell, this line of inquiry finds echo in the works of Marx, Adorno, Marcuse, Habermas, and many other famous authors, philosophers, and critics. Together with the researcher, the marginalized participants ask questions about their world context and try to answer them in order to advance an agenda to improve their life situations. The transformational researcher links the condition of these disadvantaged groups to problems of “oppression, domination, and power...” (p. 39).

#### 3.2.5 The pragmatic worldview

Supporters of this view use multiple methods to solve a research problem. The philosophical underpinning of the pragmatic research is to look into a problem from different perspective to fix it. Hence, the use of multiple sources or the mixed-method research design is paramount for such an inquiry. According to Creswell (2014), researchers with the pragmatic worldview use triangulation of data and methods, with no preference of one over another, to understand the phenomenon under investigation (triangulation is further explained below).

#### 3.2.6 The worldview of the present researcher

Based on the aforementioned-discussion and Chapter 1, it becomes evident that the worldview adopted in this study is that of the pragmatic researcher. Since the objective of this study is to understand the ambivalent attitude of Muslim consumers towards Islamic banks from a consumer behavior window, the main objectives are (a) to test a series of hypotheses based on existing

research and (b) to shed more light on the obtained results. The philosophical underpinning of this inquiry is to fully understand the “non-responsiveness” or unpopularity of Islamic banking in the Muslim world despite the consistency presumed in the triad -Muslim, Islam, Islamic banking. Correspondingly, the study developed (a) a conceptual model from the literature with corresponding hypotheses to be tested deductively through the use of the quantitative research method and the survey research technique, and (b) a conceptual framework depicting the assumptions of consistency theory.

### 3.3 The quantitative research design

The quantitative design makes use of the survey method and experiments to study its subjects. Data is processed numerically by the use of statistics and statistical packages. In the quantitative research approach the objective of the researcher is to test objectively theories by examining the relation between the constructs, which have been decided upon a-priori. These constructs can be measuring by using statistical analyses. Here, the data are interpreted through numbers and the final written report has a defined fixed structure. The author develops meaning through deductive reasoning emanating from the results of the hypotheses he developed for the study. The quantitative research design allows the author to generalize from his sample to the population (Creswell, 2014).

#### 3.3.1 The qualitative research design

The qualitative design is the research approach that is chosen when the researcher’s worldview is positivistic. In this design, the research focus is on inductively understanding behavior through interviews, focus groups, or observation of participants. Data collected is processed through thematic analysis. Qualitative research is an approach for exploring and understanding how participants view a social or human phenomenon from their own perspective. The data for qualitative research is developed inductively as it emerges from the interviews. The researcher is

informed by the interviews for meaning making and the interviews' protocol can change and evolve based on the flow of the data collected Accordingly, the final report has a flexible structure, meaning that the author can review the construction of the research questions by adding new emerging ones or deleting the ones that have little importance to the study (Creswell, 2014).

### 3.3.2 The mixed-mode research design

The mixed research design approach to inquiry involves collecting both qualitative and quantitative data. Each design must follow its proper research protocol, including a selection of appropriate research methods, research techniques, data analysis, and philosophical assumptions (Creswell, 2014). This design can be further explained with what, for example, Denzin (2006) refers to as research methods triangulation.

### 3.3.3 Case study and research method triangulation

The focus of this study is on the case of Kuwait. Yin (1994) defines case study in research as “an empirical inquiry that investigates a contemporary phenomenon (‘the case’) in depth and within its real-world context” (p.16). As a qualitative research method, it is difficult to generalize from a single case to the population. However, according to Yin (1994) and (Denzin, 2006), a case has more credibility when the researcher uses triangulation.

Based on the above discussion, a study deploys method and data triangulation techniques central to the study problem, research questions, and study hypotheses in a multidirectional way (Denzin, 2006). The purpose of triangulation in research is to increase the credibility and validity of the findings, through studying a human phenomenon from more than one standpoint. Triangulation, thus, offering a more balanced perspective on the problem investigated (Denzin, 2006). Creswell (2014) explains: “Early thoughts about the value of multiple methods -called mixed methods- resided in the idea that all methods had bias and weaknesses, and the collection

of both quantitative and qualitative data neutralized the weaknesses of each form of data.” (p. na). The strength of a mixed mode design manifests in the use of triangulation.

Denzin (2006) identifies four types of triangulation: data triangulation which involves the time of the fieldwork, the space of the fieldwork, and the participants; investigator triangulation wherein the fieldwork is conducted by multiple researchers; theory triangulation which refers to the use of more theories to interpret the study’s phenomenon under investigation; and methodological triangulation which involves using more than one research technique to collect data. In this study, I am using triangulation of research method (quantitative and qualitative), triangulation of research technique (questionnaires and semi-structured interviews), triangulation of respondents (data gathered from different Islamic banks’ stakeholders); as well as theory triangulation, whereby I will be looking for the opinion of participants from different consistency theories (balance theory, congruity theory, cognitive dissonance theory, anitegration theory, and attribution theory).

Similarly, it is also worth noting that Patton (2002), for example, cautions against using triangulation to find similar answers. Rather, as Patton explains, it is also important to view inconsistencies as an opportunity to uncover deeper meaning in the data. Therefore, the use of multiple triangulations in this research, especially that it is taking place in the social and cultural environment of the participants, will add more credibility to the outcome of the inquiry. Moreover, Thurmond (2001) confirms that triangulation has several benefits, including “increasing confidence in research data, creating innovative ways of understanding a phenomenon, revealing unique findings, challenging or integrating theories, and providing a clearer understanding of the problem” (p. 254). On the other hand, I am also aware of the primary drawback of triangulation.

According to Thurmond (2001), triangulation is time-consuming and requires greater planning and organization. Based on the above discussion, as I use research method and technique triangulation in this study, the research fieldtrip for this study is conducted in two phases. In the first phase I employ a quantitative research design and in the second phase I use a qualitative research design, as I will explain further.

#### 3.3.4 Rationale for the research design of this study

Based on the nature of the study's research problem, its research questions, the available literature, and research context, the most appropriate research design for this inquiry is a mixed-mode research design (Creswell, 1994). The idea of combining qualitative and quantitative approaches in a research project has been supported by many authors (e.g. Creswell, 1994; Denzin, 1978; Yin, 1993). In the pragmatic research methods worldview, "the researcher bases the inquiry on the assumption that collecting diverse types of data best provides a more complete understanding of a research problem than either quantitative or qualitative data alone" (Creswell, 2014; p. na). That is, the researcher has no preference but decides pragmatically on the best option to pursue the research.

To pursue my research idea, I started seriously pondering my research methodology a little before COVID19. In my first thesis proposal, I wanted to combine qualitative research with quantitative research, because my research world view was that research should be grounded in the participants' context. This makes sense to me, mainly because the socio-cultural and economic makeup of Kuwait, as a Muslim country, differs from other Muslim countries, and therefore, the perceptions, knowledge, and attitudes of its Muslim consumers towards Islamic banking and banks could be different from those of the other countries. And so, I did not want to have an a-priori judgement about what is happening in Kuwait regarding Islamic banking. However, conducting interviews with participants during the outbreak of the pandemic was remotely possible. Also,

taking the advice of my supervisors and examiners at this early stage, a quantitative design was deemed more situationally feasible. Thus, I developed a questionnaire based on existing constructs in the literature to test a set of hypotheses pertaining to assess the relationship between the three selected independent variables, a mediating variable, and a dependent variable. These variables were strongly entrenched in the Islamic banking literature as predictors of behavior towards Islamic banking.

After I analyzed the data, the obtained quantitative results were not interesting enough, nor were they convincing in explaining the ambivalent attitude of Kuwaiti Muslim consumers towards Islamic banks. Based on my personal ambition about the topic, and the second-round of recommendations provided by the examiners and supervisors, I undertook a second research phase wherein I made use of the qualitative research method and design to overcome the weaknesses of my conclusions. Following Creswell's (2014) comments, I also believe that the core assumption of mixed-mode research methods -the combination of qualitative and quantitative approaches- provides a more complete understanding of a research problem than either approach alone. Creswell also explains that a mixed-mode research design presents structural challenges, which he discusses as "use of dominant-less-dominant approach".

### 3.3.5 Use of dominant-less dominant approach

The combination of methods can be useful in identifying convergence of results, examining emerging perspectives, informing previous results, or adding scope and breadth to a study (Creswell, 1994). Creswell further clarifies that a mixed-mode research design presents challenges, including how to structure the study, length of the text itself, which academic journal to target, as well the methodological orientation of the journals. He proposes three models for combined designs: two-phase design, dominant-less dominant design, or the mixed-methodology design. In this study, we have employed a dominant-less dominant approach to conduct the research and



write up the thesis. The dominant element is quantitative and the less dominant is qualitative. The research was correspondingly conducted in two phases -quantitative and qualitative. The reason for this choice is that the qualitative part was undertaken to supplement the results obtained in the quantitative part. Accordingly, I will first discuss the quantitative research part and then the qualitative research part, separately.

### 3.4 The quantitative research part

In this section, I will discuss the study’s variable, the conceptual model, and the hypotheses.

#### 3.4.1 Study variables and conceptual model

Based on the reviewed literature, the constructs of the study are perception, knowledge, religiosity, attitude, and choice. The study’s assumption is that perception, knowledge, religiosity affect attitude, which in turn plays a mediating role between the three and choice. Therefore, the independent variables of the study are perception, knowledge, religiosity; the mediating variable is attitude, and the dependent/outcome variable is choice of bank account type (Figure 6). To shed more light on the ambivalent attitude of Muslim consumers towards Islamic banking, this research undertakes a comprehensive analysis by examining this phenomenon from different consumer groups, namely current Islamic banking customers, customers of conventional banking, and those holding an account in both banking systems.

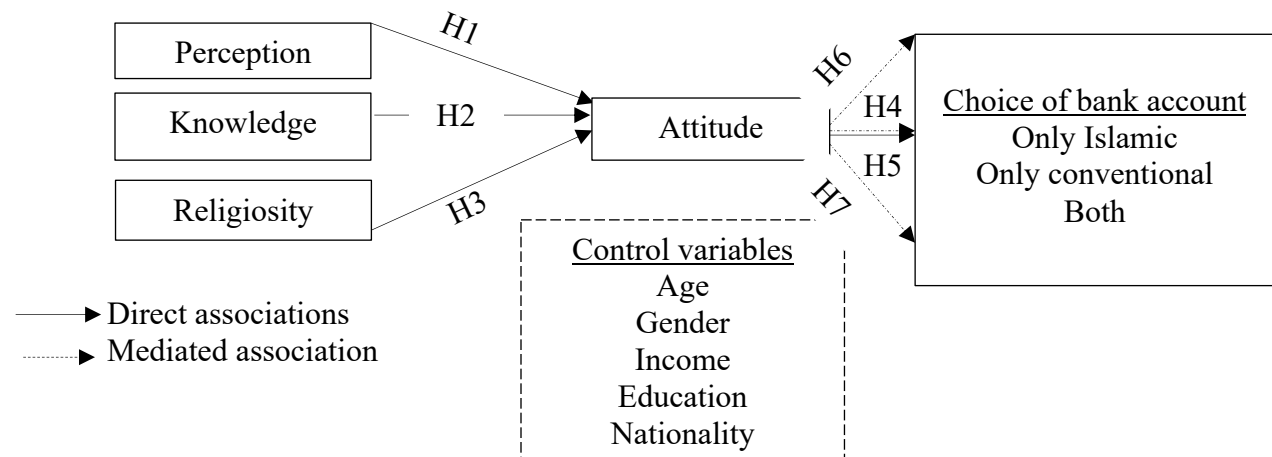


Figure 6. A Conceptual model for understanding consumers’ purchase behavior towards Islamic banking.

### 3.4.2 Study's hypotheses

Accordingly, as shown in Figure 6, the hypotheses of the study are:

H1. There is a statistically significant association between the perception that consumers have of Islamic banking and their attitudes towards Islamic banking.

H2. There is a statistically significant association between the knowledge that consumers have about Islamic banking and their attitudes towards Islamic banking.

H3. There is a statistically significant association between the religiosity of consumers and their attitudes towards Islamic banking.

H4. Consumers' attitudes towards Islamic banking predicts the choice of their bank account type

H5. Attitude mediates the association between knowledge and account type choice.

H6. Attitude mediates the association between religiosity and account type choice.

H7. Attitude mediates the association between perception and account type choice.

### 3.4.3 The instrument and constructs' measurement

Although there are advantages for using existing scales to examine the study's constructs, various studies have identified problems and weaknesses with existing measurements. Kind et al., (2007) argue that the lack of consistency between the many instruments that exist to measure the same construct makes comparison between studies impossible. Thus, the "lack of clarity and definition of what is being measured is therefore likely to lead to problems" (p. 8). Similarly, for example, Albelaihi (1997), Farah and El Samad (2014), and Bin Masood (2018) acknowledge that religiosity in Muslim countries is not an easy construct to measure, and that it has been operationalized differently in different studies.

In Islamic banking studies, researchers have used different variables to measure religiosity in different contexts (e.g., Malaysia, Germany, Pakistan, etc.). Religiosity has also been defined differently. It has been defined as a multidimensional construct that can be measured objectively

by asking people about the degree of a person's knowledge of, attitudes about, and behavior towards religion. Religiosity can also be measured subjectively and unidimensionally by simply asking individuals to rate on Likert-scale how religious they believe they are (e.g., Metawa and Almosawi, 1998; Naser et al., 1999; Wakhid and Efrita, 2007; Zamani-Farhani & Henderson, 2010). Kind and colleagues (2007) put forward the following guidelines on how best to develop a construct's measure. Their guidelines are for attitudes' measure, but they argue that they are also applicable to the development measure of any construct:

- “Clear descriptions need to be put forward for the constructs that one wishes to measure.  
Care needs to be taken when separate constructs are combined to form one scale, with justification that these constructs are closely related.
- Reliability of the measure needs to be demonstrated by confirming the internal consistency of the construct (e.g., by use of Cronbach alpha) and by confirming unidimensionality (e.g., by using factor analysis).
- Validity needs to be demonstrated using more than one method including the use of psychometric techniques” (p. 11).

We will refer to these guidelines as we describe the development of each scale measures that will be carried out in this study. In the first stage, the reliability and validity of the constructs used in this research will be assessed. In the second stage, the causal relationships will be tested. The Statistical Package for the Social Sciences (SPSS 25.0) was used to analyze the data. The instruments contained a total of 122 item statements (see Appendix 7). These include demographic variables, i.e., age, gender, education, nationality, and monthly salary, in addition to the focal items pertaining to measure the five constructs of the conceptual model. Confirmatory Factor Analysis (CFA) and Cronbach's Alpha were used to validate the scales (Table 6 and 7).

#### 3.4.4 Measurement of Perception

Consumers perceive products and services from different perspectives (Beloucif et al., 2017). Studies (Belwal et al., 2019; Butt et al., 2018; Wahyuni and Fitriani, 2017; Ali et al., 2017) argue that a collective set of factors, including attitudes, norms, and financial cost affects customer's intention to choose Islamic Banking products. Based on extensive interviews with Muslim and non-Muslim consumers, the Islamic Bank of Bahrain (Al shaikh, 2019) developed 60 item statements to gauge how consumers (existing and potential) perceive Islamic banking (see Table 5). Ramadhani et al (2019) argue that consumers who have positive perceptions about Islamic banking are more likely to patronize these banks than those who have negative perceptions. In the present study, the 60 perception items developed by the Islamic Bank of Bahrain (Al Shaikh, 2019) were adopted in a questionnaire to measure consumer perceptions about Islamic banking. These items were identified during interviews as reflective measures of perceptions of Islamic banking (for short PIB).

Respondents were asked to offer their opinion for each statement on a Likert scale from 1 to 5, where 1= strongly disagree and 5 =strongly agree. The questionnaire included statements, such as “In my opinion, there is no difference between what we call Islamic banks and conventional banks”, “Islamic banks financing is nothing but a matter of twisting documents to appear as a formal transaction”, “Islamic banks do not properly apply the correct Islamic concepts and standards” (See Table 7). A factor analysis was run to reduce the scale to more meaningful number of constructs.

#### 3.4.5 Measurement of Knowledge

Knowledge statements were adopted from the literature. Respondents were asked to indicate their opinion on a Likert scale of 1 to 5, where 1 =Strongly Disagree and 5 =Strongly Agree. Example of statements included: “To what extent are you familiar with Mudarabah accounts?”, “To what

extent are you familiar with Musharaka Financing?”. Five items adapted from Saiti (2015) and the Islamic Bank of Bahrain (2019) were used to measure perception of knowledge of Islamic banking (for short Knowledge).

#### 3.4.6 Measurement of Attitude

To measure Attitudes towards Islamic banking (for short Attitude), the questionnaire included 18 statements adopted from the literature, such as “I trust Islamic banking”, “I have a positive attitude towards Islamic banking”, “I think that in the future more people will buy Islamic banking products and services”. Six items were used in the analysis.

#### 3.4.7 Measurement of religiosity

To measure Religiosity, respondents were asked to rate their opinion based on a Likert-scale from 1 to 5, with 1 =Strongly Disagree and 5 =Strongly Agree. This construct contained six statements such as, “I always perform all of my prayers on time”, “Given access, I perform all of my prayers in the mosque regularly”, and “I fast the whole month of Ramadan”. 30 item statements were adopted from Al Jahwari (2015) and Bin Masoud (2018).

### 3.5 Sampling procedure, pilot study, and sample size

The instrument was first piloted on 17 subject matter experts (SMEs), including Sharia auditor from the Kuwait Financial House, Front-desk bank employees, bank manager, academics in economics and business management, as well as a friend and a family member. The informants were all of the opinion that the questionnaire has face validity. Creswell (2014) defines face validity in survey research as the extent to which informants believe that the item questions or statement in the questionnaire pertain to measure what they are purporting to measure. The agreement was unanimous except for two issues: (1) that the instrument was too long, and (2) that 20 item statements from the Islamic Bank of Bahrain’s (2019) perception study were not useful to the study. Accordingly, the 20 questions identified were deleted from the questionnaire. SMEs were invited to revise the questionnaire which they receive by email.

After the pilot study, the final instrument was developed in an online format and the online survey was administered via the online platform SurveyMonkey.com. The online survey was finalized on February 27, 2020 and was opened for participation on March 6 through May 7, 2010. The online link was sent to colleagues, friends and family members who were asked to complete the survey and to encourage their family, colleagues, and friends to also participate. In total 603 responses were recorded, of which 454 were done in March, 136 in April, and the remaining 13 responses were made in May. After closing the survey, data cleaning took place and missing data were recorded and concomitantly deleted from the analysis. As explained earlier, the sample size was then reduced to 376 fully completed cases. Although, according to many statistician scholars missing data is normal in survey research (e.g., Hair et al., 1997), 227 out of 603 or 62% cases with more than 5% missing values is dramatic and warrant an explanation. Hair et al. (1997) explain that the majority of researchers do not disclose their missing data, and argue that, however, disclosure and understanding the reasons behind skipping questions can be revealing to the context of the study.

According to observations of SMEs and a few participants, there are four plausible explanations: (a) the questionnaire was too long, (b) questions about religion are sensitive in nature, and (c) so are questions about personal banking/money/finance, and (d) the COVID19 pandemic situation which might have affected survey response one way or another. It is not clear whether (and there is no other way to know as studies about Islamic banking in Kuwait are not many and also because of the lack of disclosure of missing value in research) this occurrence is atypical to this study or it is a normal occurrence in survey response in the Kuwait's context. Accordingly, the conclusions of this study must be taken cautiously.

### 3.5.1 The qualitative research part

As explained earlier, this qualitative part is meant to bring more depth to the quantitative part and shed more light on our understanding of the Islamic banking controversy. Based on Creswell's (2014) explanation, it was decided in this study that this part, however, constitutes the less-dominant research design.

### 3.5.2 Sampling and sampling period

The interviews took place between 28/5/2022 and 12/11/2022. I made use of a non-probability sampling technique -convenience sampling. I conducted semi-structure interviews with 45 participants, randomly selected from my list of friends, family, relatives, and colleagues. I met in person with every participant in a convenient location, and the interviews took an average of 15 minutes to complete. First, I explained my research topic to the participants, and I told them about the concepts of anonymity and confidentiality. I made sure that the participant understands that his/her participation is voluntary and that all the findings will be aggregated in the study. The participants did not object to giving their first names and to be audio-recorded. The participants were given the choice to do the interview either in Arabic or in English. They all opted for the English.

### 3.5.3 Sample

As can be seen in appendix 8, the sample consists of 45 participants, of which 13 are Islamic bank account holders, 17 are with conventional banks, and the remaining 15 hold both account types. The sample is diverse and includes different occupations, such as business owners, engineers, consultants, retired, teachers, and bankers. Of these 11 are females and 34 are males, aged between 20 and 70 years old. I interviewed until I achieved theoretical saturation.

### 3.5.4 Interview questions

To gauge responses about the ambivalent attitude of Muslims towards Islamic banks in light of aintegration theory, I asked the following open questions to the participants and I followed-up with

sub-questions to probe for more understanding. My question to Islamic bank account holders was: “What do you think of Muslim people who patronize conventional banks and not Islamic banks?” “As a Muslim, how do you feel about it?” My questions for conventional bank account holders was: “Since you are a Muslim, why you are not with Islamic banks?” “How do you feel psychologically about it?” “Don’t you think you’re committing a sin against Allah, by doing business with conventional banks while you have the alternative which is Islamic banks?” “Do you feel Bad about it?” “Why (or) why NOT?” “What would make you change your mind and turn to Islamic banks?”. My questions to those who have accounts in both types of bank was: “what makes you choose to have accounts in both Islamic and non-Islamic banks?” “You have Islamic bank as an alternative to conventional banks, so why as a Muslim you prefer to do business with conventional banks?” “how do you explain your behavior, your feelings about it?”. These questions also correspond to Lomranz and Benyamini’s (2016) operationalization of aintegration. The upcoming section presents the quantitative results.

### 3.6 Chapter 3 summary

This study uses Kuwait as a case study to provide light on the phenomena of Islamic banking from the standpoint of customer behavior.

Mixed methods research and subsequent design are the most appropriate research method and design for this inquiry, taking into account the nature of the study's research problem, its research questions, the accessible literature, and the research context (Creswell, 2014).

This study has embraced the pragmatic researcher's outlook. The primary goals of this study are (a) testing a number of hypotheses based on previous research and (b) providing further context for the findings, as the study's goal is to comprehend Muslim consumers' ambivalent attitudes on Islamic banks from the perspective of consumer behavior. Understanding the "non-



responsiveness" or unpopularity of Islamic banking in the Muslim world, despite the triad's apparent congruence, is the intellectual foundation of this investigation.

The hypotheses of the study are:

H1. There is a statistically significant association between the perception that consumers have of Islamic banking and their attitudes towards Islamic banking.

H2. There is a statistically significant association between the knowledge that consumers have about Islamic banking and their attitudes towards Islamic banking.

H3. There is a statistically significant association between the religiosity of consumers and their attitudes towards Islamic banking.

H4. Consumers' attitudes towards Islamic banking predicts the choice of their bank account type

H5. Attitude mediates the association between knowledge and account type choice.

H6. Attitude mediates the association between religiosity and account type choice.

H7. Attitude mediates the association between perception and account type choice.

## CHAPTER 4. THE QUANTITATIVE RESULTS

### 4.1 Introduction

The literature reviewed attests to the unpopularity of Islamic banking in the majority of Muslim countries, suggesting that, in general, Islamic banking suffers from an image problem. The negative image is associated with consumers' perception, knowledge, religiosity, and attitude-related issues (Zainol et al., 2008; Echchabi and Abdulaziz, 2014; Echchabi and Azouzi, 2017; Beloucif et al., 2017; Ramadhawi et al., 2019; The Islamic Bank of Bahrain, 2019; Malik and Ullah, 2020). Accordingly, the purpose of this study was to understand Islamic banking from the consumers' behavior perspective. Correspondingly, two main research questions were considered: (a) why is Islamic banking not popular among Muslim consumers despite the growing number of Muslims in the world and especially that Islamic banking originates from a part of the world in which Islam is the predominant religion (Beloucif et al., 2017), and (b) what recommendations could be offered to Islamic banks to attract more Muslim consumers? As stated in Chapter 1, to answer these big questions, in accordance with the literature, the following research questions have been developed to guide the study's problem statement:

- a. To what extent does perception, knowledge, and religiosity influence the purchase of Islamic banks products and services in Kuwait?
- b. To what extent does attitude mediate the association between perception, knowledge, religiosity, and the choice of bank account?
- c. What variables discriminate the most between Islamic banking customers and conventional banking customers?
- d. Are there differences in the variables between those who switched and those who did not?
- e. In light of consistency theories, how do Muslim consumers feel about Islamic banking? and
- f. What recommendations can be given to Islamic banks to enhance their competitiveness?

The main objectives of the study are (a) to test a series of hypotheses assessing association between the dependent variable (choice of bank account type) and independent variables (perception, knowledge, religiosity), and to examine the mediating role of attitude; and (b) explain the ambivalent attitude of Muslim consumers towards Islamic banks. For the first objective, this study conducted a deductive literature review providing a framework for developing the hypotheses as well as the selection of the research design (Creswell, 2014, p. 62). As stated earlier and as a reference, the study's hypotheses are:

H1. There is a statistically significant association between the perception that consumers have of Islamic banking and their attitudes towards Islamic banking.

H2. There is a statistically significant association between the knowledge that consumers have about Islamic banking and their attitudes towards Islamic banking.

H3. There is a statistically significant association between the religiosity of consumers and their attitudes towards Islamic banking.

H4. Consumers' attitudes towards Islamic banking predicts the choice of their bank account type

H5. Attitude mediates the association between knowledge and account type choice.

H6. Attitude mediates the association between religiosity and account type choice.

H7. Attitude mediates the association between perception and account type choice.

#### 4.2 Sample characteristics

The total sample of the study is 376 valid cases (N=376). As can be seen in Table 8, the majority of respondents are male (76%) while less than one fourth is females. Half of the sample (50.3%) holds a BA degree and the majority (42.8%) have an individual salary of more than 2000 KD per month. The majority (49.5%) are Islamic bank holders, compared to 16% who indicated that they patronize conventional banks and 34.5% who said that they have accounts in both banking systems.

Furthermore, an attempt was made to find out the switching behavior of respondents, and it was found that 12.8 switched from Islamic banking to conventional banking, whereas 10.1% indicated that they switched from conventional banking to Islamic banking, and about 7% are planning to switch from Islamic to conventional banking (Table 8 – Sample’s characteristics).

Table 6. Sample characteristics.

	N	%
Gender		
Female	89	23.7
Male	287	76.3
Education		
Highschool	61	16.2
Bachelor’s degree	189	50.3
Master’s degree	73	19.4
Ph.D.	53	14.1
Individual monthly salary		
>500 KD	14	3.7
KD 500-1,000	48	12.8
KD 1,001-1,500	85	22.6
KD 1,501-2000	68	18/1
<2000 KD	161	42.8
Nationality		
Kuwaiti (Muslims)	272	72.3
Non-Kuwaiti (Muslims)	104	27.7
Bank account type holders		
Islamic banking	186	49.5
Conventional banking	60	16.0
Both types of bank account	130	34.5
Switched to conventional banking	48	12.8
Switched to Islamic banking	38	10.1
Planning to switch to conventional banking	26	6.9
Age (mean = 42.51), (SD =10.14), (minimum = 22), (maximum = 73)		

#### 4.2.1 Scale description

I used Factor Analysis, which is a statistical technique employed to reduce an extended number of variables to a fewer number of factors. It extracts almost all shared variances among variables, grouping them in a common score. This common score is then used as a reliable measurement for further analysis (Hair et al., 1997). I also used Cronbach’s Alpha, which is a common measure for

internal reliability. As Hair et al. (1997) explain, it is most commonly used to determine if a scale is reliable.

As can be seen in Table 6, four constructs adopted from the literature are measured with 96 items, of which 40 were set to measure perception, 18 for attitude, 30 for religiosity, five for knowledge, and three for bank account choice. Table 6, shows the constructs, the original number of items respectively, their source, and the retained items to be used in the analysis. Based on Factorial Analysis and reliability measures, the scales' items were reduced to a few strong statements, as represented in their Alpha reliability and factor loading.

#### 4.2.2 Knowledge of Islamic Banking

Five items were used to measure knowledge. The Alpha reliability of the scale is .872, which indicates the scale is reliable. The item means is 3.07 which indicates the respondents are just somehow familiar with the various financial instruments in Islamic banks such as Mudarabah accounts, Musharaka, Tawarruk financing, and Muntahia bi'tamalluk.

#### 4.2.3 Attitudes toward Islamic Banking

To measure Attitudes towards Islamic banking, six items were used. The scale Alpha reliability indicates a good inter-item reliability score of .90, and the mean value of the items is 3.68 indicating respondents have a positive attitude towards Islamic banking.

#### 4.2.4 Religiosity of consumers

To measure Religiosity, I used a scale with six items. The higher the values, the more religious the respondents self-report. The scale has a reliability alpha score equal to .919, indicating the items and the scale are highly reliable. The mean value of the items included in the scale is 4.69, indicating respondents self-reported as highly religious.

#### 4.2.5 Perception of Islamic Banking

Out of the 60 perception statements presented by the Islamic Bank of Bahrain (2019), forty items were identified during the interviews for their face validity, as reflective measures of perceptions. Since the items were phrased in the negative, as opposed to many of the items used in other scales, these items were reversed in the analysis. A factor analysis was run to reduce the scale to a more meaningful number of constructs. The factor analysis reduced the forty items to eight underlying components (please, see Appendix 1). Many of the components have low loadings ( $< .40$ ), few components had enough high loading to be significant (i.e., components had only two items), and some others were difficult to interpret beyond the construct perception of Islamic banking. For these reasons, I decided to choose the items identified with high loadings in the first component of the factor analysis which explains 22.4% of the variance.

The reliability of the ten items reflective of perception of Islamic banking = .91. The items used in each scale are shown in Appendix 2 and Reliability measures in Appendix 3. Once I have identified the appropriate items that reflect the concepts under study namely, perceptions of Islamic banking, religiosity, knowledge, and attitudes, I have calculated a mean value (average) of all the items included in each concept. This is appropriate since the items were highly representative of the same concept and the analytical tool (regression) does not use latent variables or reflective measures of a construct (only one variable reflective of the construct is used).

Table 7. Constructs and their measurements.

	Original items	Retained items	Source
Perception	40	10	Islamic Bank of Bahrain, (Al Shaikh, 2019)
Attitude	18	6	Saiti (2015); Islamic Bank of Bahrain (Al Shaikh,2019)
Religiosity	31	6	Al Jahwari (2015); Bin Masoud (2018)
Knowledge	5	5	Saiti (2015); Islamic Bank of Bahrain (Al Shaikh, 2019)
Choice *	3	3	This study

\*I am currently a customer of an Islamic bank (YES/ NO)

\* I am currently a customer of a conventional bank (YES/NO)

\* I have an account in both Islamic bank and conventional bank (YES/NO).

Table 8. Scales' description, their corresponding item statements retained for the analyses.

Scale	Items	Alpha reliability
KNOWLEDGE ABOUT ISLAMIC BANKING PRODUCTS		.872
K100	To what extent are you familiar with Mudarabah accounts?	
K101	To what extent are you familiar with Musharaka Financing?	
K102	To what extent are you familiar with Tawarruk?	
K103	To what extent are you familiar with Ijarah (Muntahia bi'tamalluk)?	
K104	In general, to what extent are you familiar with Islamic banking products?	
ATTITUDES TOWARDS ISLAMIC BANKING		.904
A51	I trust Islamic banking	
A52	I think Islamic banks have a good reputation	
A54	I don't believe in Islamic banking (R)	
A55	I have an ambivalent feeling about Islamic banking (R)	
A57	I think positive about Islamic banking	
A59	I think that in the future more people will buy Islamic banking products and services	
PERCEPTIONS OF ISLAMIC BANKING		.950
P1	In my opinion, there is no difference between what we call Islamic banks and conventional banks (R)	
P2	Islamic Banks are just mocking us. (R)	
P3	Islamic banks financing is nothing but a matter of twisting documents to appear as a formal transaction. (R)	
P4	Islamic banks manipulate terms and finance products for profit purposes. (R)	
P6	Automated and accounting systems in Islamic banks are a mere simulation of conventional banking systems. (R)	
P7	Islamic banks charge customers fees and profits that are unknown. (R)	
P21	Riba (usury) is imbedded within all banking activities, Islamic and others. (R)	
P32	Tawarruq in banks is just a trick to get cash.	
P33	Islamic banks claim that they grant credit cards on the basis of "Qard Hassan" while they are actually receiving interest (the so-called fees). (R)	
P34	The fees calculated on the Islamic bank's credit card are just a trick to take the same interest rate charged by conventional banks. (R)	
RELIGIOSITY OF RESPONDENTS		.919
R72	I fast the whole month of Ramadan	
R74	In my personal life, religion plays a very important role	
R75	My religion helps me to have a better life	
R76	The Prophet Mohammed is the role model for me	
R77	The Duaa (supplication) supports me	
R78	I believe that Allah (God) helps me	
BANK ACCOUNT TYPE		
PB113	I am currently a customer of an Islamic bank YES/ NO	
Q6	I am currently a customer of a conventional bank YES/NO	
Q7	I have an account in both Islamic bank and conventional bank YES/NO	
Additional questions		
PB105	I used to be an Islamic bank customer, but I switched to a conventional bank	
PB112	I will continue to use Islamic banking products & services in the future YES/NO	

### 4.3 Between group comparison

Since an important part of the study is to describe perceptions of Islamic banking and predict the choice of an Islamic account as opposed to other types, the sample was classified in three groups namely, those who have only an account with an Islamic bank, another group that only has an account with conventional banks, and a third group with accounts in both type of banks. The first analysis of the data will clarify if the perceptions, attitudes, knowledge, religiosity, and other characteristics of the sample differ among the three groups. For this purpose, I have performed Analysis of Variance (ANOVA) which is a statistical test appropriate for three or more groups that are discriminated according to a series of variables scaled at least at the interval level (Hair et al., 1997). According to Hair et al. (1997), “ANOVA is used to determine the probability that differences in means across several groups are due solely to sampling error” (p. 332). Before interpreting the mean values of attitudes, perception of Islamic banking, knowledge, and religiosity for the three consumer groups, it is important to report that no statistically significant differences in demographics, except with regards to nationality: Group 1 and Groups 3 contain more Kuwaitis than Group 2. The upcoming discussion shows the between-group differences regarding the study’s variables.

#### 4.3.1 Group attitudes towards Islamic Banking

Table 9 provides a description of the mean values of each group. Group1 (respondents that hold only Islamic bank account), at eye inspection, seems to differ quite notably from group 2 (respondents with only conventional accounts) and group 3 (respondents that hold both accounts). Certainly, group 1 has a very positive attitude (mean value = 4.11) towards Islamic banking, as one would expect. Similarly, as expected, those that hold only conventional accounts have a more negative attitude (mean value = 2.69) towards Islamic banking. The group that holds both accounts



have a positive attitude (mean value = 3.52) but not as positive as those that hold only Islamic accounts.

#### 4.3.2 Group knowledge about Islamic Banking

Regarding the perception of knowledge, contrary to my expectation, all three groups perceive themselves as having not so much knowledge of the Islamic banking financial system (Table 9). The group with the least knowledge is, as expected, the one with accounts in conventional banks only (mean value = 2.64). However, the holders of accounts in Islamic banks do not report to have much knowledge either (mean value = 3.23). This, in principle indicates, perceived knowledge may not be a factor in deciding an account with an Islamic bank.

#### 4.3.3 Group religiosity assessment

As expected from a sample of Muslim consumers, the respondents -more or less equally- rated themselves high in perceptions of religiosity (group 1 mean value = 4.79, group 2 mean value = 4.44, and group 3 mean value = 4.65) (Table 9).

#### 4.3.4 Group perception of Islamic banking

Finally, as can be seen in Table 9, the perception of Islamic banking in general is rather negative except for group 1 (mean value = 3.66), as expected. Those with accounts only in conventional banks have a negative view (mean value = 2.04).

Table 9. Group means' comparisons of attitude, knowledge, religiosity, and perception (ANOVA).

Account type	%	Mean	SD.	Sig.
Attitude				
Islamic banking (n=186)	49.46	4.1174	.74624	.000
Conventional banking (n=60)	15.95	2.6972	.76806	
Both accounts (n=130)	34.57	3.5269	.86186	
Total (N=376)	100	3.6866	.93838	
Knowledge				
Islamic banking	49.46	3.2312	.80599	.000
Conventional banking	15.95	2.6433	.71126	
Both accounts	34.57	3.0415	.88210	
Total	100	3.0718	.84263	
Religiosity				
Islamic banking	49.46	4.7975	.31703	0.00

Conventional banking	15.95	4.4444	.76633	
Both accounts	34.57	4.6513	.59983	
Total	100	4.6906	.53070	
		Perception		
Islamic banking	49.46	3.6694	.82709	0.00
Conventional banking	15.95	2.0417	.75561	
Both accounts	34.57	2.7500	1.01655	
Total	100	3.0918	1.07944	

(see original SPSS table in Appendix 1)

The ANOVA Table 9 (see original SPSS table in Appendix 1) with multiple comparisons indicates that even considering the differences in sample size among groups, some of the differences observed are statistically significant. Since group variances are not equal, I have added an additional test for such case, namely the Dunnett C. The statistical tool Tukey HSD, or Honest Significant Difference test, is commonly used to decide if there is a significant association between two statistical data sets.

The table of comparisons (Table 9) indicates, when we assumed the groups have equal variances (Tukey HSD test) in the attribute Attitudes, they all differ from each other, and the difference is not random but statistically significant (Sig. 000). For example, group 1 compared to group 3 in the first line in the Table, we find the difference between means of these two groups (1.42016) is statistically significant, and so is the difference between group 1 and 3 (.59046). With respect to the concept Knowledge, group 1 differs from group 2 in their perceptions, but group 1 does not differ from group 3 (Sig. = .108). Regarding the concept religiosity, all three groups differ from each other and the differences are statistically significant. Group 1 mean value differs from group 2 mean value (.35305) and the difference is statistically significant (Sig. =.000). Group 1 also differs from group 3 (.14621) and the difference is statistically significant (Sig. = 037). Finally, the perception of Islamic banking is different among groups as indicated under the comparisons. A graphic analysis of the differences is represented in the graphs of Figure 11.

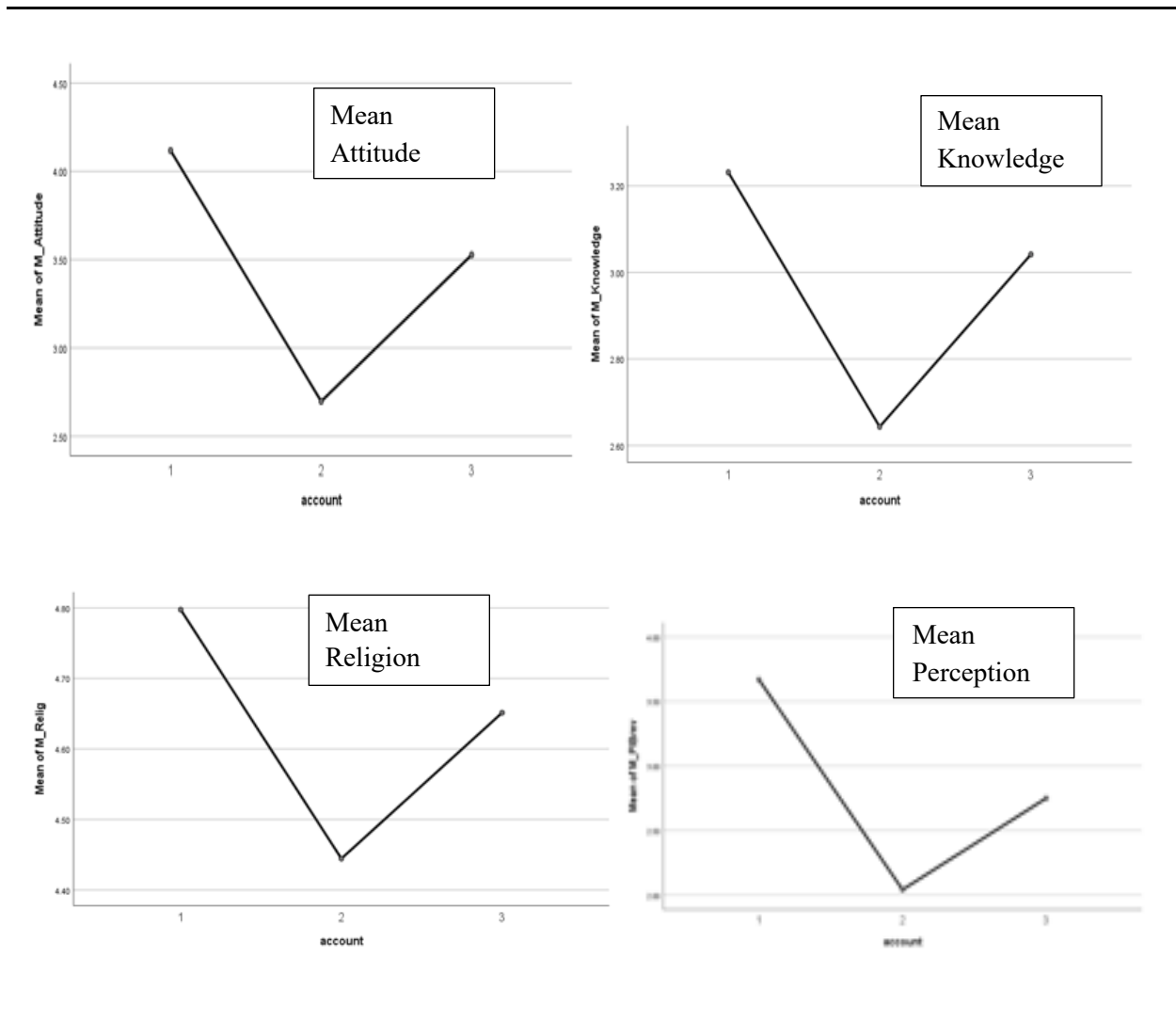


Figure 11. Group mean comparison

#### 4.4 Discriminant Analysis

According to Hair et al. (1997), discriminant analysis can address any of the following objectives:

1. “Determine whether statistically significant differences exist between the average score profiled on a set of variables for two (or more) a priori defined groups.
2. Determining which of the independent variables account the most for the differences in the average score profiles of the two or more groups.
3. Establishing procedures for classifying objects (individuals, firms, products, and so on) into groups on the basis of their scores on a set of independent variables,

4. Establishing the number and composition of the dimension of discrimination between groups formed the set of independent variables” (p. 256).

Discriminant analysis is appropriate for research problems in which the dependent variable is categorical (Hair et al., 1997) such in the case of this study where the dependent variables are nonmetric. Here, the objective is to examine which independent variable (perception, knowledge, religiosity, and attitude, and also demographic characteristics) associated with Islamic banking purchase are useful in differentiating purchasers of Islamic banking from non-purchasers and those who hold both account types; that is, evaluating which of the characteristics (variables) of Islamic banking best separates between the three groups. The statistical analysis method of Logistic regression is used for previously observed sets of data to forecast data value. The model of logistic regression forecasts a dependent variable by evaluating the correlation between one or more present independent variables. It is worth mentioning that logistic regression is appropriate for two groups only. Thus, to identify what characterizes each of the groups, I have used discriminant analysis in SPSS. Discriminant analysis can obtain a weighted combination of the four scales to be used in predicting their probable effects on the purchase or no purchase of Islamic banking.

Discriminant analysis provides us with discriminant functions. The discriminant functions are a kind of latent (unobservable) variable, and the correlations are loadings analogous to factor loadings in the Factor Analysis (Hair et al., 1997). The authors further explain that, in discriminant analysis, the selection of the independent variables can be based on two ways. “The first approach involves identifying variables either from previous research or from the theoretical model that is the underlying basis of the research question. The second approach is intuition-utilizing the researcher’s knowledge and intuitively selecting variables for which no previous research or theory

exists but that logically might be related to predicting the groups of the dependent variable” (p. 257).

Hence, it was already established in the literature review of the present study that perception, knowledge, religiosity, and attitude may play a role in the purchase or non-purchase of Islamic banking. Table 10 provides the results from the discriminant analysis. The table shows that the two functions extracted in the discriminant analysis (the number of discriminant dimensions is the number of groups minus 1) are statistically significant. Discriminant Function 1 is the most important discriminator, it explains 92.1% whereas discriminant function 2 explains only 7.9%.

Table 10. Summary Canonical Discriminant Functions.

Function	Eigenvalue	% of Variance	Cumulative %	Canonical Correlation	Sig.
1	.702 <sup>a</sup>	92.1	92.1	.642	.000
2	.060 <sup>a</sup>	7.9	100.0	.238	.006

a. First 2 canonical discriminant functions were used in the analysis.

Table 11 shows the standardized discriminant coefficients function in a manner analogous to standardized regression coefficients in Ordinary Least Squares Regression. For example, a one standard deviation increase on the attitude variable will result in a .271 standard deviation increase in the predicted values on discriminant function 1. Figure 14 shows the plot of the three different groups under study. The discriminant functions are:

$$\text{Discriminant\_score\_1} = -.031*\text{age} - .034*\text{gender} - .085*\text{education} + .412*\text{nationality} - .028*\text{salary} + .271*\text{attitude} + .124*\text{knowledge} + .242*\text{religiosity} + .621*\text{perception}.$$

$$\text{Discriminant\_score\_2} = .263*\text{age} - .440*\text{gender} + .359*\text{education} + .418*\text{Nation} - .196*\text{salary} + .955*\text{attitude} + .442*\text{knowledge} - .123*\text{religiosity} - 1.158*\text{perception}.$$

Table 11. Standardized Canonical Discriminant Function Coefficients.

	Function	
	1	2
Age	-.031	.263
Gender	-.034	-.440
Education	-.085	.359
Nationality	.412	.418
Salary	-.028	-.196
M_Attitude	.271	.955
M_Knowledge	.124	.442
M_Religiosity	.242	-.123
M_Perceptionrev	.621	-1.158

As you can see on discriminant function 1, the customers that hold only Islamic bank accounts (group 1) tend to be at the more positive end of dimension 1; They have high positive scores on perceptions of Islamic banking and religiosity. The customers with only conventional bank accounts (group 2) tend to be at the opposite end, with the customers that hold both accounts (group 3) in the middle. On dimension 2 the results indicate holders of conventional accounts tend to be more on the negative side of the dimension; holders of Islamic accounts are also negative side; however, the holders of both conventional and Islamic accounts tend to be on the positive side of the discriminant function.

To determine how well the discriminant functions perform in discriminating or separating groups, I requested SPSS to run a classification of subjects. Since there are three groups, the system assumes the probability of a subject being allocated to each group is 1/3. Table 12 shows that on average, the model classified 65.4% of the original group cases correctly. The Table also shows that group 1 could be correctly allocated more often (.73 =136 correctly allocated of the total of

186 subjects in that group). Group 2 could also be predicted quite accurately (.766= 46/60). In the case of group 3 that contains a mix of accounts, the system did not perform as well (.49= 64/130) but still better than chance (i.e., .33).

Table 12. Classification Results.

account	a Predicted Group Membership			Total
	1	2	3	
1	136	13	37	186
2	2	46	12	60
3	36	30	64	130
1	73.1	7.0	19.9	100.0
2	3.3	76.7	20.0	100.0
3	27.7	23.1	49.2	100.0

Given group 3 contains individuals with accounts in both types of banks namely Islamic and conventional, this group seems to be placed in the middle of the two other groups that represent opposite sides of dimensions. It is advisable therefore to study only the two groups that can be clearly classified correctly that is, groups 1 and 2. Hair et al. (1997) refer to this procedure as “the polar extremes approach” (p. 257). They explain, “the polar extreme approach involves only the extreme two groups and excluding the middle group from the discriminant analysis (...), the polar extreme approach with discriminant analysis can reveal differences that are not as prominent in a regression analysis of the full data set” (p. 257).

#### 4.5 Logistic Regression of Account Type (Islamic Bank vs Conventional Bank account)

To have a better picture of what characterizes subjects in groups 1 and 2, I eliminated the subjects that hold accounts in Islamic and conventional banks and ran Logistic regression (appropriate because there is a binary dependent variable namely, type of account). Figure 6 shows the predictive model to be tested.

To determine the effect of the mediator, I used a MACRO created by A. Hayes for SPSS. To have an idea of the association between the perceptions and attitude variables, and to make sure the relationships point in the expected direction and there would not be issues of multicollinearity when running the regression, I first conducted a correlation analysis.

Multicollinearity occurs when there is significant intercorrelations between two or more independent variables in a multiple regression model. First used by Ragnar Frisch, the term multicollinearity is used to define a seamless or particular association between the regression exploratory variables.

Original correlations indicated the relationships were in order (i.e., perceptions are correlated with attitudes) and were all statistically significant, however, the construct Attitude was highly correlated ( $\rho = .829$ ) with the construct PIB (Perception of Islamic banking). Since a high correlation amount to a problem of multicollinearity when running a regression, I identified the items that had high cross-loading scores between the construct Attitude and Perception/PIB.

Then, I eliminated items from the Attitude construct (namely A554 and A55) and the PIB construct (namely PIB2, PIB3, PIB4 and PIB21). The result decreased the correlation between Attitude and PIB to  $\rho = .72$  which is less than .80, the threshold that signals high multicollinearity. The final correlations are shown in Table 13.



Table 13. Correlations.

		M_Atti2	M_PIBr2	M_Relig	Nationa	M_Knowled	AC
M_Atti2	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	246					
M_PIBr2	Pearson Correlation	.722**	1				
	Sig. (2-tailed)	.000					
	N	246	246				
M_Relig	Pearson Correlation	.308**	.248**	1			
	Sig. (2-tailed)	.000	.000				
	N	246	246	246			
Nation	Pearson Correlation	.226**	.269**	.115	1		
	Sig. (2-tailed)	.000	.000	.072			
	N	246	246	246	246		
M_Knowledge	Pearson Correlation	.250**	.304**	.125	.179**	1	
	Sig. (2-tailed)	.000	.000	.051	.005		
	N	246	246	246	246	246	
AC	Pearson Correlation	.601**	.611**	.310**	.418**	.308**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	246	246	246	246	246	

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Once the problem of multicollinearity was solved, I ran logistic regression using the binary dependent variable namely account selection (IB or Conventional). The first important aspect to analyze of the logistic regression is to evaluate if the model is good, that is, if it predicts beyond chance. Table 14 shows the model summary. Just like in the case of linear regression, logistic regression calculates three values namely -2 Log likelihood, Cox & Snell R square, and Nagelkerke R square. The Cox and Snell's R square is built on the log likelihood of the model compared to the log likelihood of the baseline model. Nagelkerke's R square is a modified version of the Cox & Snell R square that alters the statistics measure to cover the full series from 0 to 1. These R squares are considered 'pseudo' R squares because they are not equivalent to the

coefficient of determination of a linear regression. Therefore, The Nagekerke R square should be interpreted with care.

Table 14. Logistic regression model summary.

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	115.911 <sup>a</sup>	.473	.705
a. Estimation terminated at iteration number 7 because parameter estimates changed by less than .001.			

The Nagekerke R square = .705 indicates the model is good. The calculated Cox & Snell R square =.473 indicates that there is 47.3% probability the event of classifying one account over the other is explained by the logistic model. This is also a good score. The model output in Table 15 shows the regression coefficients which are expressed in a log-odds metric. These estimates tell you about the relationship between the independent variables and the dependent variable (type of account which is on the logit scale). The B is the value for the logistic regression equation for predicting the dependent variable. The dependent variable is coded as 0 (conventional bank account) and 1 (Islamic bank account). From Table 9, I can conclude there is a positive and statistically significant relationship between the variables (predictors) nationality (Beta -1.988; Sig. =.000), knowledge (.788, Sig. =.014), perception of Islamic banking (1.782, Sig. =.000), religiosity (1.307, Sig. =.029) and account type. The higher the score in these variables the more odds the respondent is classified as a holder of an Islamic bank account.

Table 15. Regression coefficients.

Step		B	S.E.	Wald	Df	Sig.	Exp(B)	95% C.I. for EXP(B)	
								Lower	Upper
1 <sup>a</sup>	Nation(1)	-1.988	.498	15.941	1	.000	.137	.052	.363
	M_Atti2	.799	.307	6.785	1	.009	2.224	1.219	4.058
	M_PIBr2	1.782	.407	19.172	1	.000	5.943	2.676	13.195
	M_Religi	1.307	.600	4.750	1	.029	3.695	1.141	11.967
	M_Knowle	.788	.321	6.028	1	.014	2.200	1.172	4.127
	Constant	-14.011	3.234	18.773	1	.000	.000		

a. Variable(s) entered on step 1: M\_PIBr2, M\_Religi, M\_Knowledge.

Because the log-odds units are difficult to interpret, they are often converted into odds ratios by exponentiating the coefficient, given in the right-most column in the Variables in the Equation table labeled “Exp(B)”. In this way, the interpretation can read as follows: for every one-unit increase in knowledge, religiosity, and perception, I expect an increase in the log-odds type of account holder by 2.200, 3.695, and 5.943 respectively, meaning a one-point higher in these perception scales, multiplies the odds of holding an Islamic bank account.

In the case of the categorical variable Nationality, the value in parenthesis (1) indicates the value of the categorical variable used in the equation, that is Kuwaiti. The coefficient represents the difference between level 1 (Kuwaiti) and 0 (the reference value, Non-Kuwaiti). The interpretation then is as follow: If I decrease in one unit the variable Nationality (i.e., change from category 1 to 0), the log-odds decrease by 1.97 times of having an Islamic bank account.

To determine the mediation effect of the variable Attitude towards Islamic banking, I use the macro developed by A. Hayes and available to include it in SPSS. Three tests of mediation are shown in Appendix 4.

One is created for the variable knowledge as a predictor, another for the variable religion, and a third one for the variable perceptions of Islamic banking as a predictor. The result of the test of mediation for the variable PIB is shown in Table 16. This table shows the coefficient or effects

of all three predictors namely PIB, Religiosity and Knowledge on Attitude, and in the following section of the Table indicates the effect of all the variables (including Attitude) and their effect on the dependent variable (account choice). The last section of the Table indicates the direct and indirect effects of the variable under study, in this case, PIB. I highlighted the indirect effect in the Table. The value is  $B=.4879$  and is statistically significant  $T=2.02$  ( $T \geq 1.96$  are statistically sig.). We also know this value is statistically significant because the confidence interval does not include the 0. Since the indirect effect is significant, it implies the variable Attitudes only partially mediate the effect of perceptions of Islamic banking and account choice.

Regarding the variable Religiosity, the indirect effect ( $B=.1984$ ) is also statistically significant suggesting the variable Attitude only partially mediates the relationship. Finally, the variable Knowledge has an indirect effect ( $B=.0226$ ) which is not statistically significant. Hence, Attitude fully mediates the relationship between Knowledge and account type.

Table 16. PROCESS Matrix procedure with Variables in the Equation.

Run MATRIX procedure:

```
***** PROCESS Procedure for SPSS Version 3.4.1 *****
                Written by Andrew F. Hayes, Ph.D.      www.afhayes.com
                Documentation available in Hayes (2018). www.guilford.com/p/hayes3
*****
Model   : 4
  Y     : AC
  X     : M_PIBr2
  M     : M_Atti2

Covariates:
  M_Relig  M_Knowle

Sample
Size: 246

*****
OUTCOME VARIABLE:
  M_Atti2

Model Summary
```

R	R-sq	MSE	F	df1	df2	p
.7342	.5391	.4282	94.3602	3.0000	242.0000	.0000

Model

	coeff	se	t	p	LLCI	ULCI
constant	.4456	.4180	1.0660	.2875	-.3778	1.2691
M_PIBr2	.6542	.0452	14.4756	.0000	.5652	.7433
M_Relig	.2660	.0881	3.0185	.0028	.0924	.4396
M_Knowle	.0303	.0534	.5663	.5717	-.0750	.1355

\*\*\*\*\*

OUTCOME VARIABLE:

AC

Coding of binary Y for logistic regression analysis:

AC	Analysis
.00	.00
1.00	1.00

Model Summary

-2LL	ModelLL	df	p	McFadden	CoxSnell	Nagelkrk
133.7372	139.5868	4.0000	.0000	.5107	.4330	.6455

Model

	coeff	se	Z	p	LLCI	ULCI
constant	-15.4552	2.9553	-5.2296	.0000	-21.2475	-9.6629
M_PIBr2	1.8122	.3783	4.7905	.0000	1.0708	2.5537
M_Atti2	.7457	.2943	2.5340	.0113	.1689	1.3225
M_Relig	1.4412	.5309	2.7147	.0066	.4007	2.4818
M_Knowle	.8280	.2987	2.7724	.0056	.2426	1.4133

These results are expressed in a log-odds metric.

\*\*\*\*\* DIRECT AND INDIRECT EFFECTS OF X ON Y \*\*\*\*\*

Direct effect of X on Y

Effect	se	Z	p	LLCI	ULCI
1.8122	.3783	4.7905	.0000	1.0708	2.5537

Indirect effect(s) of X on Y:

	Effect	BootSE	BootLLCI	BootULCI
M_Atti2	.4879	.2405	.0896	1.0611

\*\*\*\*\* ANALYSIS NOTES AND ERRORS \*\*\*\*\*

Level of confidence for all confidence intervals in output:

95.0000

Number of bootstrap samples for percentile bootstrap confidence intervals:

5000

NOTE: Direct and indirect effects of X on Y are on a log-odds metric.

NOTE: Variables names longer than eight characters can produce incorrect output.

Shorter variable names are recommended.

----- END MATRIX -----

Table 17 shows the evaluation of the classification. It indicates that the model predicts very well the Islamic bank account holders, that is 94.6%. The model also predicts well the alternative group, that is, it classified correctly 80% of the subjects that hold only accounts in conventional banks. Overall, the model classified 91 % of the cases correctly far beyond the random allocation of .50.

Table 17. Classification Table.

Observed	Acc type	Predicted		Percentage Correct
		.00	1.00	
Acc type .00		49	11	81.7
	1.00	10	176	94.6
Overall Percentage				91.5

#### 4.6 Results of hypothesis statistical analysis and testing

Recapitulating on the hypotheses established in this research proposal, I report them below:

H1. There is a statistically significant association between the perception that consumers have of Islamic banking and their attitudes towards Islamic banking. Accept the hypothesis (Pearson correlation [rho]= .25; Sig. .000). Evidence from the correlation Table 13.

H2. There is a statistically significant association between the knowledge that consumers have about Islamic banking and their attitudes towards Islamic banking. Accept the hypothesis (Pearson correlation [rho]= .308; Sig. .000). Evidence from the correlation Table 13.

H3. There is a statistically significant association between the religiosity of consumers and their attitudes towards Islamic banking. Accept the hypothesis (Pearson correlation  $[\rho]= .722$ ; Sig.  $.000$ ). Evidence from the correlation Table 13.

H4. Consumers' attitudes towards Islamic banking predicts the choice of their bank account type (either Islamic or conventional). Accept the hypothesis ( $B = .847$ ; Sig.  $= .006$ ). Evidence from the Logistic Regression Table 14.

#### Mediation results

H5. Attitude mediates the association between Knowledge and account type.

Accept the hypothesis (Indirect effect of perception of knowledge  $B= -.0226$ ;  $T= 0.44$ ; CI 95%  $= .0513$  and  $-.0761$ ).

H6. Attitude mediates the association between religiosity and account type. Accept the hypothesis (Indirect effect of perception of religiosity  $B= .1984$ ; CI 95%  $= .0349$  and  $.4888$ ).

H7. Attitude mediates the association between perception of Islamic banking and account type. Accept the hypothesis (Indirect effect of perception of Islamic Banking  $B= .4879$ ,  $T= 2.02$ ; CI 95%  $= .0896$  and  $1.0611$ ).

#### 4.7 Analysis of Switching Behavior

The data contains 48 cases that have switched from Islamic bank accounts to conventional and 26 cases with an intention to switch to conventional banks. To have a better understanding of the differences between the groups that did not change or have an intention to change, I performed cross tabulations for the categorical variables and independent T-tests for the variables measured on interval (namely perceptions of knowledge, religiosity, perceptions towards Islamic banking, and attitudes towards Islamic banking) or ratio scale (for example, age of the respondent).

In the first part of the analysis, I compared the respondents that had switched from Islamic banks to conventional banks with the rest of the sample.

The two-sample t-test or the independent t-test, is a statistical analysis tool that is used to determine whether there is a substantial variance between the means in two distinct groups. Cross-tabulation (crosstab) is two-(or more) dimensional table that registers the quantity (frequency) of respondents that have the exact characteristics labeled in the table cells. Cross-tabulation postulate a wealth of info variables interrelationship. The results illustrate that there is no statistically significant difference between the two groups regarding gender, education, nationality, salary, or age. Cross tabulation Tables are provided in Appendix 4.

Table 18 provides results from the comparison of means of the Islamic banks perceptions, knowledge, religiosity, and attitude scales. The statistically significant differences are highlighted. Basically, those that switched (1) have a less positive attitude towards Islamic banks than those who did not (0). Mean=2.75 vs Mean=3.75, respectively. They also perceive Islamic banks more negatively than those who did not switch and are marginally less religious.

Table 18. T-Test. Comparison of those that switched to conventional banks with rest of sample.

#### Group Statistics

	switch to conventional	N	Mean	Std. Deviation	Std. Error Mean	Sig. (2-tailed)
Age	1	26	40.12	9.791	1.920	.212
	0	350	42.69	10.158	.543	
M_Attitude	1	26	2.7500	.87337	.17128	.000
	0	350	3.7562	.90626	.04844	
M_Knowled	1	26	3.1538	.77420	.15183	.582
	0	350	3.0657	.84820	.04534	
M_Relig	1	26	4.4936	.64374	.12625	.050
	0	350	4.7052	.51946	.02777	
M_PIBrev	1	26	2.0500	.89230	.17499	.000
	0	350	3.1691	1.05266	.05627	



The upcoming discussion includes summary and conclusions, the qualitative results, and a chapter offering a discussion and theoretical and practical implications.

#### 4.8 Chapter 4 summary

The study's primary goals are to: (a) test several hypotheses evaluating the relationship between the dependent variable (bank account type preference) and the independent variables (perception, knowledge, and religiosity), as well as to investigate the mediating role of attitude; and (b) explain Muslim customers' conflicted feelings regarding Islamic banks. The study's first goal was to perform a deductive literature evaluation, which offered a framework for formulating hypotheses and choosing a research design (Creswell, 2014, p. 62).

The sample was divided into three groups: those who only have accounts with Islamic banks, those who only have accounts with conventional banks, and a third group that has accounts with both types of banks. This was done because a significant portion of the study aims to characterize perceptions of Islamic banking and forecast the decision to choose an Islamic account over other types.

A statistical test suitable for three or more groups that are differentiated based on a set of variables scaled at least at the interval level is called an analysis of variance (ANOVA).

Discriminant functions are given to us via discriminant analysis.

To determine the effect of the mediator, I used a MACRO created by A. Hayes for SPSS. The results were as following

H1. There's a statistically significant correlation between customers' opinions regarding Islamic banking and how they perceive Islamic banking. The hypothesis is accepted. Proof derived from Table 13's connection.

H2. There is a statistically significant correlation between customers' attitudes about Islamic banking and their level of knowledge about Islamic banking. The hypothesis is accepted. Proof derived from Table 13's connection.

H3. There is a statistically significant correlation between consumers' views towards Islamic banking and their level of religiosity. The hypothesis is accepted. Proof derived from Table 13's connection.

H4. Consumers' perceptions about Islamic banking influence which kind of bank account they would select (conventional or Islamic). The hypothesis is accepted. The Logistic Regression Table 14 provides evidence.

#### Mediation results

H5. The relationship between Knowledge and account type is mediated by attitude. Accept the hypothesis.

H6. The relationship between account type and religiosity is mediated by attitude. Accept the hypothesis.

H7. The relationship between account type and perception of Islamic banking is mediated by attitude. Accept the hypothesis.

I used independent T-tests for the variables measured on intervals (i.e., respondent age, knowledge, religiosity, perceptions of Islamic banking, and attitudes toward Islamic banking) or ratio scales (i.e., perceptions of knowledge, perceptions toward Islamic banking, and attitudes toward Islamic banking) to better understand the differences between the groups that did not change or intend to change.

## CHAPTER 5. THE QUALITATIVE RESULTS

### 5.1 Introduction

As mentioned earlier, the purpose of this part is to shed light on the results obtained in the quantitative part, thereby, responding to the research question in relation to consistency theories: research question (e) “In light of consistency theories, how do Muslim consumers feel about Islamic banking?” Basically, I wanted to understand why despite their religiosity, there are Muslim people who did not jump on the bandwagon of Islamic banking and patronize Islamic banks as an alternative to conventional banks. The quotes which I show in the preference attest to the ambivalent attitude of Muslim consumers towards Islamic banks. Data from the World Islamic Banking Competitive Report (WIBCR, 2016), the perceptions about Islamic banking by the Islamic Bank of Bahrain (2019), and Heider’s (1946) balance theory, Osgood and Tannenbaum’s (1955) congruity theory, and Festinger’s (1964) cognitive dissonance theory, support the study’s rationale and inform its conclusions.

The findings are based on semi-structured interviews (N= 45) conducted with the three group of bank consumers: Islamic bank account holders, conventional bank account holders, and those who patronize both type of banks. The following questions guided my interview protocol: My question to Islamic bank account holders was: “What do you think of Muslim people who patronize conventional banks and not Islamic banks? “As a Muslim, how do you feel about it?” My questions for conventional bank account holders was: “Since you are a Muslim, why you are not with Islamic banks?” “How do you feel psychologically about it?” Don’t you think you’re committing a sin against Allah, by doing business with conventional banks while you have the alternative which is Islamic banks?” “Do you feel Bad about it?” “Why (or) why NOT?” “What would make you change your mind and turn to Islamic banks?”. My questions to those who have accounts in both types of bank was: “What makes you choose to have accounts in both Islamic and

non-Islamic banks?” “You have Islamic bank as an alternative to conventional banks, so why as a Muslim you prefer to do business with conventional banks?” “How do you explain your behavior, your feelings about it?”. These questions also correspond to how Lomranz and Benyamini (2016) operationalize the aintegration concept.

## 5.2 Findings

I used the research findings technique of color-coding to look for the themes that emerge in all the interviews (N= 45). My supervisor and I have identified six strong themes separately, after which we met together and decided on the strongest ones which are the following: “secularism of Muslims”, “family tradition of having always being with conventional banks”, “confusion/no clear Fatwa (decisive decision from Muslim clerics) about Riba/usury, “mistrust of Islamic banks’ principles”, “obligation”, and finally “not being judgmental. I will explain each one separately.

### 5.2.1 Secularism of Muslims

As the concept is defined, secularists make a separation of religion from the other spheres of life, including politics and business (Al-Attas, 1978). Participants make the disconnection between doing business and religion clearly. For example, Meshari, who has both accounts says, “I think that it’s a matter of need and pragmatism, along with the religious side. In my line of work, it’s a global marketplace that is filled with advanced tools like escrows and share options. Although I produce only Sharia-screened media material, I am obliged to deal with multiple banks in multiple countries with different media buyers. So, from this side, I think that people separate religions from banking”. Danah, being with a conventional bank, explains, “It’s a Muslim country and the bank is licensed to operate in it. In addition, the bank owns a Sharia window and offers some sharia complaint services through it. So, I don’t see a problem. The laws of the country itself accept it! ...NO. I think the whole banking system was not created by Muslims, so calling a bank Islamic is an overstatement. In addition, Sharia scholars are not on a joint opinion about many things,

including banks”, she adds. Abdulmohsin, who holds a mixed bank account, explains, “I think it’s a choice of convenience and needs-fulfilment. A specific bank or system is something that people decide based on logical not emotional bases. In my line of work, we deal with all types of banks. I haven’t seen much difference”. Abdullah has a conventional bank account because, as he “see(s) them as commercial entities offering a service. I’m not a fan of the intersection of religious and commercial interests, as it often leads that one of them get sabotaged”. Ali, who holds mixed accounts, advances, “It could be a pragmatic choice, people have needs, mostly personal and sometimes commercial. Every person should be responsible for his/her own choices, but they also should be given facilities that cater for their needs. It shouldn’t be based on religions. For example, my business needs more flexibility in account types and transfer, a matter that I found to be challenging and complicated at Islamic banks”. Mohammad, who holds a conventional bank account, says, “It’s [banks] a mechanism to handle money issues, I don’t feel anything religious about it. I don’t really think so, no. It’s been around forever, Muslims and Muslim countries use it on sovereign levels, are they all sinful!?” To stress this theme, for example, Lujain who is a female with a conventional bank, explains, “I am proud to be a Muslim, hailing from a Muslim family, with strong Eastern roots. But I do not let religion interfere in all aspects of my personal life. No particular feeling, it’s a rational choice. Sin, what do you mean sin? Banking is a merely tool, not a worshipping practice. Maybe because I lived in the West for many years of my life, being secular about life issues like banking is always my way”. Abdullah, who is with conventional banks, argues, “I’m not a religious person, but I do fear Allah. Banking is a tool that I use to get services and benefits, and my current bank is a one that is fully serving me well. What does being Muslim has to do with this? I’m OK with, why shouldn’t I be! ... I think it sinful for banks to spread a religious flag and make huge profits out of that. They are the ones who should feel bad”. Faisal,

who holds a conventional account, also explains that religion has nothing to do with being a Muslim. He argues, “I do not see it as a religious matter, it’s simply a matter of long-term relationship, and service quality. My friends who dealt with Islamic banks did not come out happy, most of them converted back to conventional.... They are all Muslim. I don’t feel remorse about it. Not really, no. It’s a tool that I use to manage my money. Islamic banks are not less commercial or profitable than conventional, are they sinful?” Bader who has both accounts has a similar argument. He says, “I believe it’s [banking] a merely tool, whoever feels good in it, should use it. In my opinion, I do not see real difference in the structure of the financial processes in both banking systems. Knowing some of the leaders of Islamic banks, and having insider information about how they operate, I am against favoring a bank system over another, based on morality only”. Here, the participants try to disconnect religion from the practice of banking. They also base their choice on pragmatism, i.e., what works best for them as individuals and not as religious individuals. Mishari even defends conventional bank holders, when he says, “Being a Muslim means being smart. I have my account in the biggest and strongest bank in the Middle East. Islamic banks are still lagging. Feeling like a winner, as my current bank services are satisfying my needs so far. I think that Allah loves me, as he blessed me financially and directed my choices to the best so far. I do not see or feel like I’ve done anything wrong”. Thus, there is a clear indication that one can be Muslim and yet secular when it comes to banking. Hussain negotiates his position of not being with Islamic banks, He advances, “I didn’t relate that [banking] to being a Muslim before [now]! But I’m happy with my bank, and my friends’ feedback on Islamic banks are not too positive in general. I was OK till now, you got me started to worry about it. Sin is a strong word! I love Allah and do not want to be sinful. But I don’t feel bad since I did nothing illegal or outside our Muslim society norms”. Hessa, a female participant, who has both accounts, “When I wanted to buy a car,

Islamic bank gave me a good deal. When I wanted to take a loan, conventional bank had a better offer. Being smart and ceasing the opportunity is the right way of dealing with financial needs, and selecting the service provider. Nothing to do with religion”. Again, according to many participants, it is pragmatism that is the answer. Similarly, Jumana who also holds both accounts, never thought about the issue of “sin” in banking. She says, “I see the facilities and availability of services as my number one driver for choosing a bank. Islam teaches us to be resourceful, so I’m OK here, I guess. I Never thought of that, but I think I’m happy with my bank. Depending on what is a person’s perspective of sin. Banking is not mentioned in Quran, and Muslim Imams have different point of view about modern banking, so why should I feel bad!”.

#### 5.2.2 Family tradition

Participants advance that their choice of banks depend on their historical connection with the bank. Family emerges strongly in the interviews as a reason for the choice. For example. Khaled, who is with a conventional bank, fervently arguments: “It’s my bank and my father’s bank and children’s bank. My father was a good Muslim, and I would like to think that I am too. Our choice of bank has its reasons.... I feel pretty much OK about it. It is our tradition with the banks in my family”. Similarly, Anwar who is with Islamic banking also thinks about family tradition as a factor. This is what he says about conventional bank holders: “It’s their point of view, and I respect that. If they care about Sharia, they should not have done it. Some people have been locked in because they opened their accounts many years ago, or their parents opened the account for them, and they kept it. These people might not have the upmost Sharia awareness”. Jumana, explains that sometimes the choice of the family can be a constraint. She says, “you grow up with a bank selected by your father because it is an account, your account, opened by him to give you money. So, you don’t think about changing banks. You get used to it. You don’t even questions”.

### 5.2.3 Confusion/no clear Fatwa

Participants attribute their bank choice to the mixed understanding of Imams about Riba. They say that there is no clear understanding about what is haram and what is halal with banking. For example, Samah, who has a conventional bank account, says, “Back then, I felt bad. But now, I think I’m OK with what I have ... Our Imams are not strictly prohibiting conventional banks... so, no, I don’t feel bad about it”. Similarly, Khaled explains, “No, I don’t feel bad about it [being with a conventional bank], since we’ve been doing it for so long, and we are still the same. We have many Imams in my family, none of them ever told us anything bad about this. We need a clear and concise fatwa [for me to change to Islamic banks]”. Mosab, who is a patron of both banks, argues, “I think Islamic banks’ policies need to be properly revisited and publicized. As clerks and scholars change their opinions frequently, how can people know what to do!”. Anwar who patronizes only Islamic banks, argues, “No, I don’t feel bad about them [conventional bank account holders] Things must be clear what is what. There is a definite need for a clear and concise fatwa”. According to him, this might attract more people to Islamic banks. Ahmed, an Islamic bank employee, justifies the reason why people do not go with Islamic banks, and says, “For example, there is the controversial fatwa of the Egyptian muftee (Sheikh Al-Tantawi), where he states that ALL convectional bank’s transactions are Halal. Some of my clients follow it, and see a window through it”.

### 5.2.4 Mistrust of Islamic banks

As has already been alluded to in many cases, there is a mistrust towards Islamic banks. The mistrust can be connected to transparency and confusion. For example, Ahmad, who is with conventional banks, explains, “My experience with Islamic banks has been nothing less than terrible. They misuse the trust invested in the religious title they claim, and they do the calculation exactly as any other bank. I don’t feel bad about it. I am satisfied and happy, no regrets.... I do



pray and worship properly, as much as I can. But the banking issues is not what I see as committing a sin". Abdullah who has both accounts says, "I don't feel nothing much, it's a bank account with a respectable institution. I don't feel sinful, but I do feel that Islamic banks are. As they claim to be religious, while, they are there only for profit". These are strong statements that join those of another participants, who switched from an Islamic bank to a conventional bank, who adds, "many people don't see the difference between Islamic and non-Islamic banking. In this country which is a Muslim country you have both bank systems. So, which one is the halal and which one is the haram. According to Sharia law conventional banking is haram. Since it is haram, why it is allowed in a Muslim country? Maybe if it is not allowed like alcohol then people will be obliged to find the alternative which is Islamic". From this perspective, people also point to what they see as "hypocrisy" of the system. Another participant answers with a ironic questions: "Why in a Muslim country we still have Haram banking?" "Why an Islamic bank also offers conventional banking?" "Ha Ha: Why inside the "halal" you also have the "haram"?" Such questions depict the confusing state of understanding of Islamic banks as a halal practice of banking. (Of course, those who think differently say it is freedom of choice, as explained earlier".

#### 5.2.5. Obligation

Participants say that the choice of bank type rests with their employer. It appears that some companies do not give a choice to their employees. This is the case of Zeynep, for example, a female who has a mixed account, explains, "I opened my conventional bank account because of my work, they dictated that I open an account for my salary there. I still depend heavily on my Islamic bank account, as I see it safer from Sharia point of view, not too happy about the service though!" Mohammad, who is an expat, do not have a choice but to go with conventional banks. He explains, "As an expat, Islamic banks were reluctant to open an account for me at the beginning. Also, my bank offers great facilities for me, here and back home (Lebanon)". Anwar who is with

Islamic banks adds, “Also, some people get benefit from certain banks if they work in specific workplaces”. This is also the case for employees of conventional banks. One participant explains, “I work in a non-Islamic bank in Kuwait. I have my salary with them and my bank account also because my salary goes straight away to my account. I can’t change even when I want”. Another one argues, “it is more complicated to change to an Islamic bank when you have a business and you deal with international companies. I don’t know, people say conventional banks are more international. I think it’s easy if you don’t have to change bank”. Another one adds, “when you travel for business you are obliged to have international banking. It’s more practice”. There is the obligation not to go against your employer but also not to go against your family. This is what one participant says, “you go where your family goes. It is also more secure and you trust”.

#### 5.2.6 Not being judgmental

Whether they are with Islamic banking, conventional or both, there is wide consensus that banking is a service like any other, and that the choice depends on the individual. Some Islamic bank participants say that whereas people have the choice, they wish that they would go with Islamic banking because they are Muslims. For example, Mishari says: “They are free to choose whatever is convenient to them. At the end of the day, banking is a service, but yes, as Muslims, I think they should encourage Islamic banks and support them”. Mosab, who is a patron of both banks, argues, “I think they have a freedom of choice and should be allowed to do that. The market is open and has multiple offerings, conventional and Islamic. Bader, who also holds both accounts type, says, “They are people who made a choice, and it’s probably a need-based choice. Choosing a bank is an issue of trust and service. I have an Islamic bank account, but still see the conventional bank’s products and services being more appealing and accommodating to customer need. Supply and demand, that’s the ruling condition”. Salem, holding both accounts adds, I never thought of that [why Muslims don’t use Islamic banks]! Well, it might be safe for them to stay with the choice of

bank they are accustomed to, as the change cost could be high and not pleasant. I think that people follow their gut feelings and personal experiences more than literature or Sharia scholars. In anyways, I think Islamic banks need to focus more on their mission rather than just competing, maybe then people will start thinking more about them, both seriously and religiously”. Dalal who has both accounts says, “I do not judge people on their choice of banking, it’s a service and they need what they need of it”. Maryam who is with Islamic banks also thinks the same about conventional bank holders. She advances, “I don’t make an opinion on people. I know people who are good Muslims who have accounts in conventional banks, they are aware its Haram, and they use the banking facility but avoid loans. They think that by not taking loans they are doing ok. But I think there are good Islamic alternatives to conventional banks, that can serve their purpose [as well]”. Similarly, Anas who is a patron of Islamic banks, believes that, “Since there is an Islamic bank that serves the purpose, they should have committed to it. I do not hold a grudge against them, but I would advise them to shift”.

#### 5.2.7 Conclusion

The above themes can help in answering question (e) “In light of consistency theories, how do Muslim consumers feel about Islamic banking?”. Effectively, in theory, there must be congruity between Islamic banking and Islam, as Islamic Sharia law is the foundation of the latter. Paradoxically, however, the participants who are not with Islamic banks are of the opinion that it is the Islamic banks that are not fulfilling Sharia principles, that there is no difference between them and conventional banks. They attribute their choice for conventional banks to situational factors, including ambiguity of Islamic banks’ practices, which confuses them and makes them lack trust in Islamic banks; family tradition of being with a certain banking system; the obligation to be with a certain bank because of the nature of their job or their employer; and secularism or disconnecting business from religion. Heider (1958) refers to this situation as situational

attribution. In attribution theory, he makes a distinction between a dispositional attribution, which means that the outcome is attributed to internal cause, and a situational attribution, which means the outcome is attributed to external causes. Since the reasons are attributed to external causes (the themes discussed above), the participant does not feel remorseful about being with a conventional bank, despite their religiosity. And therefore, the perceived incongruity between Islamic banks and Islamic Sharia does not concern them. To them, this perceived incongruity lies not in the Islamic value of no riba/usury per se, but in the consumers' judgement of the Islamic banks' "perceived ambiguous practices" or "double standards". In conclusion, one could say that, in the context of Islamic banking and its unpopularity within Muslims, there is an acknowledged incongruity, but there is no felt imbalance. The inconsistency lies between the Islamic banks and their perceived lack of conformity with Sharia practices. This finding supports Lomranz and Benyamini's (2016) aintegration theory. However, whereas these authors found that low religiosity is more conducive to aintegration, in the present study, it was found that even people with high religiosity are not psychologically affected by the perceived incongruity because they see that the problem does not lie within them but between the bank and its practices. Lomranz and Benyamini (2016) also concluded that people with high education were more likely to accept contradictions and ambiguity. In the present study, all the participants were also highly educated and "aintegrated". That is, they live comfortably with an ambiguous situation. Supporting the authors proposition that secularism is more likely to be conducive to aintegration, this study also found that the participants who believe in the disassociation between religion and business have high level of aintegration. On the other hand, when participants are asked: "As a Muslim, do you feel bad about not being with an Islamic bank?", many of them also answer "Oh, I did not think about it" or "God is the judge"; showing a feeling of uncomfortability. Deep inside, they know that as Muslims who also

indicate a high level of religiosity, Islamic banking represents the triadic relation of balance (Islam, Islamic banking, and Muslim) more than: Muslim, Islam, and conventional banking. Hence, when asked “what would make you switch to Islamic banks?” their common answer revolves around “clear and direct fatwa (Imams’ decision) about Islamic banking and Sharia law”. In this scenario case, once again, going back to the Quranic verses mentioned in the preface, to a “Muslim”, the purchase of non-Islamic banking products and services would be more abhorrent than purchasing from an Islamic bank, despite the controversies associated with the latter, since their buying behavior symbolizes a lack of religious belief. Such an understanding is given by the participants who patronize only Islamic banks. According to them, there is good, bad, and worse banking systems. The worse, for them, is to be with a conventional bank while an alternative exists, no matter what. To them, as one participant puts it: “I have no judgement about Muslims who don’t go to Islamic banks, but I think that it is better not to be with a conventional bank. If the Islamic bank is cheating, God is the judge. Me, I do what I have to do”. The upcoming section presents a summary and conclusions.

### 5.3 Chapter 5 summary

Addressing the study question in light of consistency theories: Research question (e): "What is the perception of Islamic banking among Muslim consumers based on consistency theories?" Basically, I was trying to figure out why certain Muslims, with all their religious convictions, did not follow the Islamic banking trend and chose to do business with Islamic banks rather than traditional ones.

The results are based on 45 semi-structured interviews with three different groups of bank customers: those who have Islamic bank accounts, those who have conventional bank accounts, and those who use both types of banks.

Using the color-coding method from the research data, I searched for themes that appeared in each of the 45 interviews. The following are the six strong themes that my supervisor and I separately identified before coming together to decide which ones are the strongest: "Muslim secularism," "family tradition of always banking with conventional banks," "confusion/no clear Fatwa (decisive decision from Muslim clerics) about Riba/usury," "mistrust of Islamic banks' principles," "obligation," and lastly "not being judgmental."

Theoretically, Islamic banking and Islam should be compatible as Islamic Sharia law forms the basis of the latter. Ironically, though, those who do not bank with Islamic institutions believe that conventional banks and Islamic banks are identical and that the Islamic banks are the ones not according to Sharia law.

The perceived noncompliance of Islamic banks with Sharia norms is the source of discrepancy. This result validates the integration theory proposed by Lomranz and Benyamini (2016). But contrary to what these authors discovered, which suggests that a lower level of religiosity facilitates a more successful integration, the current study found that even highly religious individuals are not psychologically impacted by the perceived incongruity because they recognize that the issue is with the bank and its policies rather than with themselves.

## CHAPTER 6. DISCUSSION AND CONCLUSION

### 6.1 Study motivator and purpose statement

The purpose of this study was to understand Islamic banking from a consumer behavior perspective. Based on the Islamic banking literature (e.g., Ibrahim, 2015), Islamic banking data (WICR, 2016), consumers' perceptions about Islamic banking (Islamic Bank of Bahrain, 2019), and the postulates of consistency theory (Heider, 1958), two main questions arise: (a) why is Islamic banking not popular among Muslim consumers? especially that Islamic banking originates from a part of the world in which Islam is the predominant religion (Beloucif et al., 2017), and (b) what could be done by Islamic banks to attract more Muslim consumers and retain existing ones? The focus of this study was on contributing some understanding to the Islamic banking phenomenon from a social-psychology paradigm, taking Kuwait as a case study.

The study was motivated by the notion that, if Islamic banking is congruous with Islamic law, and Islam is a way of life for Muslims to live the good life as prescribed by Allah, then, in practice, the business of banking must take place in Islamic banks and not in conventional banks. As an alternative to conventional banking, Islamic banking is premised on offering Muslims the opportunity to do halal banking in accordance with Sharia law. Therefore, the logical alternative for Muslim bank consumers is to turn to halal banks from where they can purchase halal banking products and services.

The unpopularity of Islamic banking in Muslim countries has also been observed by, for example, Ali and colleagues (2018) who mentioned that, according to data from Islamic Financial Services Industry Stability Report (2017), "55 percent of total Islamic banks' assets of top twenty-five Islamic banks are concerted in seven countries [whereas there exist over 100 Muslim countries] (p. 71)".

It is clear that Islamic banking is mired with negative perceptions (Islamic Bank of Bahrain, 2019) associated with *ancient* financial fraud, a weak image, lack of knowledge, and divergence from Sharia law. Skeptics have even questioned “to what extent are Islamic banks Islamic?” (Ibrahim, 2015, p. 186), and “How Islamic is Islamic banking?” (Khan, 2010).

Based on this controversial background, the problem statement of this study was: To what extent is religiosity, perception, and knowledge a determinant factor for Muslim consumers to patronize Islamic banks? This major question necessitated conducting the research in two phases: The quantitative phase and the qualitative phase, thereby using a mixed-mode research design to give more depth and width to our understanding (Creswell, 2014) of Islamic banking from the consumer behavior perspective. In other words, the research sought to find out to what extent does perception, knowledge, religiosity, and attitude influence the purchase from Islamic banks, and shed some light on the ambivalence of Muslims to patronize Islamic banks.

Specifically, in the first phase of the research, the study examined the association between consumers’ perception, knowledge, religiosity, and the purchase of Islamic banks products and services with the role of attitude as a mediating variable; while the second phase of the research contributed a deeper understanding of the consumers’ attitudes towards Islamic banks, with reference to the theoretical underpinning of consistency theories (Heider, 1946/1958; Osgood and Tannenbaum, 1955; Festinger, 1957/1964; Lowmanz and Benjamini, 2016).

## 6.2 Study Objective and Goals

Beside finding out relationships between the study’s constructs, in order to shed some light on the ambivalent attitude of Muslim consumers towards Islamic banks, this research undertook a comprehensive analysis by examining this phenomenon from different consumer groups, namely current Islamic banks’ consumers, consumers of conventional banks, and those holding an account in both banking systems. Basically, from this angle, the research sought to find out whether



differences in perception, knowledge, religiosity, and attitude, exist between the three groups; and also, which variables discriminate the most between them. The other objective of this study was to explain the ambivalence attitude of Muslim consumers towards Islamic banks in light of consistency theories.

Strengthening these factors can play a positive role in enhancing the image of Islamic banks, preventing switching behavior, and converting new consumers (e.g., Sabirzyanov, 2006; Kaakeh et al., 2018; Al Shaikh, 2019). Therefore, the goal of this research was to contribute to the debate about Islamic banking from a consumer behavior perspective and offer specific recommendations to Islamic banks in Kuwait to remain competitive, influence purchase decision, improve customer retention, and support growth. Results of this study may also be of value to the traditional banks wanting to adopt Islamic banking principles or diversify their product portfolio.

### 6.3 Literature major findings

According to the Islamic Bank of Bahrain' study, there is an overwhelming consensus in the literature that Islamic banks suffer from a negative image (Al Shaikh, 2019). The negative image is associated to a perceived lack of trust in Islamic banking institutions, mistrust of Sharia Board members, and confusion with conventional banking (e.g., Salam et al., 2019). The negative image is also associated with consumers' perception of Islamic banks, their knowledge about Islamic banking, untrained Islamic banks' personnel, as well as the level of consumers' religiosity, and other attitude-related issues (Zainol et al., 2008; Echchabi and Abdulaziz, 2014; Echchabi and Azouzi, 2017; Beloucif et al., 2017; Ramadhawi et al., 2019; Al Shaikh, 2019; Malik and Ullah, 2020).

Research supported that the customers of Islamic banking, whether Muslims or non-Muslims, give high importance to ethics as the major reason they choose to bank with a certain Islamic bank (Gilani, 2015). Gilani (2015) further explained that the principles of ethics and

morality on which Islamic banking and finance is based and the related concepts of human rights, equality, justice and Islamic moral values, might enhance the confidence and trust of the clients as well as reflect the changes in people's preferences in favor of ethical business behavior when doing business with any organization. These factors are, according to Gilani (2015), the main reasons behind the growth of the Islamic banking and finance sector, in that the market sees it as a business based on ethics, principles and moral values. The unpopularity of Islamic banks in the literature is also supported by data about bank performance (Islamic Financial Services Industry Stability Report, 2017).

The basic question that arose while reviewing the literature relates to the consistency theory (Heider's, 1958) balance theory, Osgood and Tannenbaum's (1955) congruity theory, and Festinger's (1957) cognitive dissonance theory. These theories postulate that people are seeking balance in their lives. According to these theories, the study's assumption was that because of the inscribed congruity in the triad Islam, Islamic banking, and Muslims, more Muslim consumers would be enthusiastically jumping on the Islamic banks' bandwagon, be it for religious (Islamic Sharia law) reasons, ethical, social, or for all of the above reasons; simply because Islamic banking is Halal. Paradoxically, data about Islamic banks' performance tell a different story: Islamic banks are performing *relatively* well *only* in the GCC countries. Data also indicate that even in Kuwait, Islamic banks are not popular among more than half of the population (WICR, 2016).

As I have advanced in the preface, the selected quotes from the Holy Quran indicate that it is considered a sin to participate in conventional banking (because non-Islamic banks deal with rib/usury/interest rate). This is considerably true, especially that nowadays an alternative to do halal banking exists next door. The corresponding simple and yet puzzling and burning question that begs for answers is: "why the majority of Muslims do not patronize Islamic banks?" Based on

the literature, a series of hypotheses, objectives, and research questions were developed to shed some light on this issue.

#### 6.4 Hypothesis development and Conceptual model

Based on the literature, a series of hypotheses was proposed to test the generated model.

Subsequently, the study’s hypotheses are based on the following conceptual model (Figure 6):

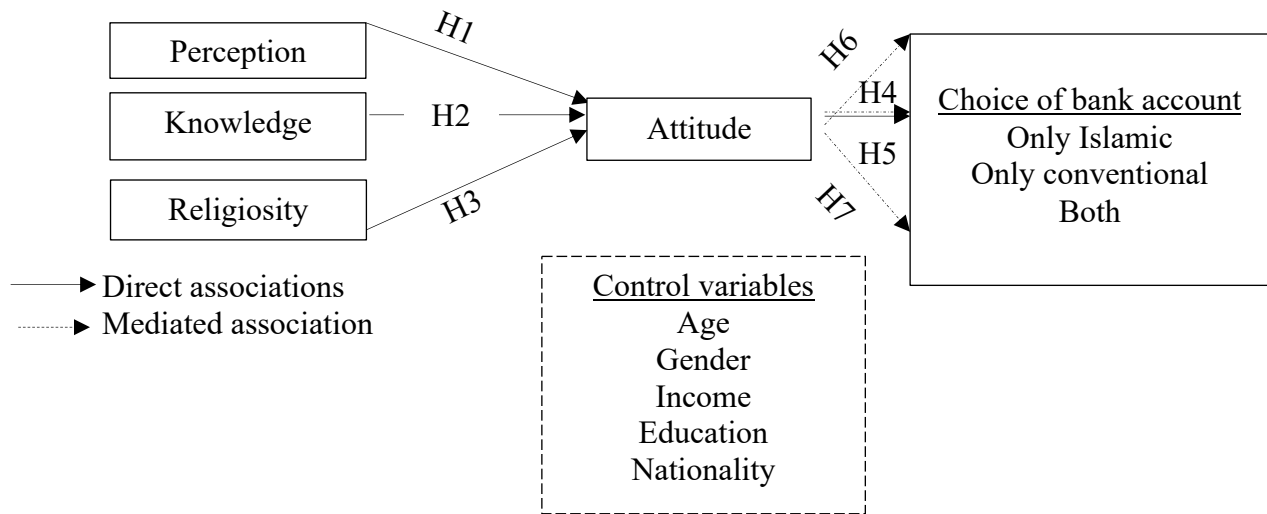


Figure 12. The Conceptual model for understanding consumers’ purchase behavior towards Islamic banking.

#### 6.5 Study methodology

To answer the research question with more width and depth, the study employed a mixed methodology research approach (Creswell, 2014). In the first phase of the research, the quantitative research design was used for hypotheses testing. For this purpose, the survey research technique was used. A questionnaire, based on the literature, comprising 122 item statements to measure perception, knowledge, religiosity, attitude, bank account type, and demographic data, was piloted and then administered online. The study’s results are based on 376 usable cases (N=376). Furthermore, in order to bring more depth to the quantitative results, a qualitative research design was employed (Creswell, 2014) later on. In this phase I made use of a non-probability sampling

technique -convenience sampling. I conducted semi-structured interviews with 45 participants, randomly selected from my list of friends, family, relatives, and colleagues. I confidently reached theoretical saturation with this sample size.

## 6.6 Study results and findings

This section provides a summary of the results and is based on the study's research questions and hypotheses outcome. Answers to each question and hypothesis is provided:

a. To what extent does perception, knowledge, and religiosity influence the purchase of Islamic banks products and services in Kuwait?

H1. Knowledge is positively associated with Attitudes towards Islamic banking. Accept the hypothesis (Pearson correlation  $[\rho]= .25$ ; Sig.  $.000$ ).

H2. Religiosity is positively associated with Attitudes towards Islamic banking.

Accept the hypothesis (Pearson correlation  $[\rho]= .308$ ; Sig.  $.000$ ).

H3. Perception of Islamic banking is positively associated with Attitudes towards Islamic banking. Accept the hypothesis (Pearson correlation  $[\rho]= .722$ ; Sig.  $.000$ ).

H4. Attitudes towards Islamic banking predicts the bank account type (either Islamic or conventional account). Accept the hypothesis ( $B = .847$ ; Sig.  $= .006$ ).

b. To what extent does attitude mediate the association between perception, knowledge, religiosity, and the choice of bank account?

### Mediation results

H5. Attitude mediates the association between Knowledge and account type. Accept the hypothesis (Indirect effect of perception of knowledge  $B= -.0226$ ;  $T= 0.44$ ; CI 95%  $= .0513$  and  $-.0761$ ).

H6. Attitude mediates the association between religiosity and account type. Accept the hypothesis (Indirect effect of perception of religiosity  $B = .1984$ ; CI 95% = .0349 and .4888).

H7. Attitude mediates the association between perception of Islamic banking and account type. Accept the hypothesis (Indirect effect of perception of Islamic Banking  $B = .4879$ ,  $T = 2.02$ ; CI 95% = .0896 and 1.0611).

c. What variables discriminate the most between Islamic banking customers and conventional banking customers?

The study examined group differences on a few variables, and the results indicated that of the overall sample ( $N=376$ ), about 50% were Islamic bank account holders, 16% were classified as conventional bank holders, and the remaining 34% were holders of both accounts. The ANOVA test for group means comparison indicates that, nationality differentiates between the three groups of bank consumers. This means that the likelihood that in a sample you will find more Kuwaitis holding Islamic banks account than other Muslim Arabs. The probable reason could be that some Islamic banks require a high salary for opening an account, whereas many Arab expatriates have lower salaries. This observation is supported in the interviews. For example, Samah who has an account with a conventional bank says: “When I wanted to open an account in Islamic bank, I was not welcomed, and the conditions were too tough. Conventional bank was easy and accepted my papers immediately”.

Also, the results show that Islamic bank account holders have a much higher positive attitude towards Islamic banks than their counterparts, and those having accounts in both banks have the lowest mean value. On the other hand, all three groups indicate having lower knowledge about Islamic banking, but the group with the lowest mean value is the mixed account group. As for religiosity, since all three groups are Muslim, they indicate a very high religiosity, however, it

is higher for Islamic bank holders and lowest for conventional bank holders. Similar results were also found for perception. Based on the Tukey HSD test performed for sample's group size, all the identified differences are statistically significant. Similar results are also obtained from the Discriminant Function Coefficients, with an indication that perception is the variable that discriminates the most between the two polar extremes (Hair et al., 1997): Islamic bank holders and conventional banks holders. The correlations and regression analysis show that type of bank account is correlated with all the variables, but it is higher for perception, nationality, and attitude, respectively.

d. Are there differences in the variables between those who switched and those who did not switch? In addition, an attempt was also made to find whether differences exist in perception, knowledge, religiosity, and attitude between those who switched from Islamic banks to conventional banks and current Islamic banks patrons. The t-test results show that consumers who switched have a less positive attitude toward Islamic banks and more negative perceptions than current Islamic banks consumers. These results are statistically significant.

e. In light of the consistency theories, how do Muslim consumers feel about Islamic banking?

To make a conclusion about the paradox of Islamic banks and Muslims is not simple. I think that responding to the following sub-questions may help in clarifying the conclusions:

1. Is there perceived congruity between Islam, Muslims, and Islamic banks? Islamic banking is founded on Sharia law. Therefore, one can but assume that there is congruity between Islamic banking and Islam.

2. Is this congruity perceived by Muslims? The answer is No, and that is because respondents indicate less positive perception and low knowledge. Bearing in mind that perception is the

variable that discriminates the most between the three bank consumer groups, that choice of bank account type is highly correlated with perception, and that perception is the strongest predictor, it is clear that perception about Islamic banks is a crucial factor. Looking at the means for the perception items (N=376), one can see that people are of the opinion that “there is no difference between Islamic and conventional banks” (Mean= 3.46), that Islamic banks are “mocking us” (Mean= 3.50), that they are “manipulative” at best (Mean= 3.20), that it is just a matter of “manipulating documents” for the show (Mean= 3.25), that they “don’t observe the purpose of Sharia law” (3.20). Clearly, results denote a lack of trust. The paradox is that Muslim consumers all together indicate more positive attitude (Mean= 3.68, SD= .93) and lower positive perceptions (Mean= 3.09, SD= 1.08). Their high religiosity (mean= 4.69, SD= .53), positive attitude, and lower perceptions underscore their ambivalent attitude towards Islamic banks. These quantitative conclusions are supported by the qualitative findings, where the consistency theories helped to shed more light on this paradox.

In the quantitative research phase, a conceptual model was based on the literature. The literature review indicated that the negative image that Islamic banking has is associated with several factors, including consumers’ perceptions of Islamic banks, their knowledge about Islamic banking products, consumers’ religiosity, and attitudes towards Islamic banks. The research purpose of studies using these constructs sparingly in their conceptual model was mainly to examine their relationship association with customer satisfaction and customer loyalty (e.g., Rizaldi et al., 2022). To answer the present study’s research question, the objective was to develop a conceptual model based on these constructs and to test seven corresponding hypotheses. Furthermore, during the quantitative phase, an attempt was also made to find out whether differences in perception, knowledge, religiosity, and attitude exist between three bank consumer

groups: those who hold an Islamic bank account, holders of a conventional bank account, and those who patronize both banking systems. No study so far has made such an attempt.

As such, the research design of choice was the positivist design, and the associated research method was quantitative. A questionnaire was developed based on the literature, piloted, and distributed via the online survey platform “SurveyMonkey”. Results were based on 376 fully completed cases. Reliability and validity of the scales were recorded, wherein only variables with strong loadings were retained for the operationalization of the five constructs. Data indicated statistically significant differences between the three groups, with conventional banks’ patrons scoring lower on all the study’s variables compared to their counterparts. Furthermore, an additional objective was to find out which one of the variables discriminated the most between the three groups. The discriminant analysis results showed that perception and nationality were the biggest discriminating variables. The regression analyses supported the predicting role of all the predicting variables, as well as the mediating role of attitudes between the independent variables and the outcome variable (choice of bank account type).

Also, to shed more light on the Islamic banking phenomenon, the research examined whether differences exist between the consumers who switched from Islamic banking to conventional banking and those who did not switch. Comparative results showed statistically significant differences between the three groups, with an indication that consumers who switched have a less positive attitude towards Islamic banks than those who did not. They, also, perceive Islamic banks more negatively than those who did not switch and, are marginally less religious than their counterparts. Overall, the analyses undertaken in this study empirically support the importance of perception, knowledge, religiosity, and attitude in predicting the patronage of Islamic banks or lack of it.



In the second research phase of this study which followed the constructivist research design, semi-structured interviews were conducted with a sample of 45 participants. The objective of the interviews was to use the predicaments of consistency theories in the study's cultural context, with the hope of understanding the psychological aspects of why Muslims do not patronize Islamic banks despite the premised congruity between Islam and Islamic banking, especially that religion is considered incompatible with incongruence (Lomranz and Benyamini, 2016).

For this purpose, two main sub-research questions were asked: (a) what do Islamic bank account holders think about non-Islamic bank account holders? And (b) how do conventional bank account holders feel about not patronizing Islamic banks? These questions were derived from Lomranz and Benyamini (2016) who established the concept of aintegration. Contrary to consistency theory, Aintegration hypothesizes that ambiguity, contradictions or incongruence in people's lives do not necessarily lead to a state of psychological distress.

The findings reveal that the consumers who do not patronize Islamic banks but, instead, do business with conventional banks acknowledge the inconsistency (cognitive consistency theory) but feel no discomfort with their behavior (balance theory). This finding aligns with Lomranz and Beyamini (2016)'s aintegration theory (to a certain extent, in that their replacement model, however, was critiqued and rejected by Simon and Read, 2018). Nevertheless, in the present research, support for their aintegration theory was found. The authors argued, "whereas the need for consistency notion implies a negative affect to all inconsistencies, we have shown that inconsistency (or consistency) could engender positive affect, negative affect or no affect whatsoever" (p. 54). In the present study, inconsistency engenders no negative affect. The authors, further explained that cognitive consistency/inconsistency is "not universal" and that "it does not, as such matter much to individuals" and neither should it be taken for granted (p. 45). Lomranz

and Benyamini (2016), presented the concept of “aintegration” (not integrated, maintaining incongruence), which they “defined as the human ability to bear cognitive/emotional complexity, manifested in the capability to maintain incongruence and live with inconsistencies, discontinuities, contradictions and paradox, and yet not experience strain or discomfort” (p. 79). In fact, in their study, they found aintegration to be higher with “the non-religious” participants (p. 79). In the present study Islamic context, however, we found that aintegration exists even among highly religious people. Based on the study’s findings, a proposed framework aligning with the aintegration assumption is presented in Figure 4a.

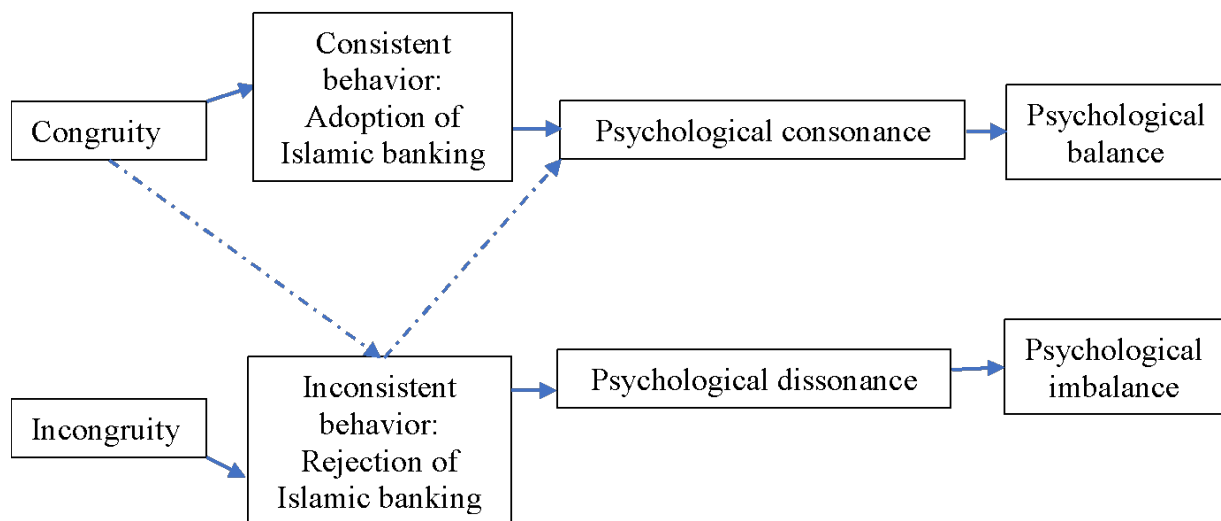


Figure 13. Extended non/adoption of Islamic Banking framework within consistency theories and the inclusion of aintegration theory.

Moreover, the present study’s conclusion, suggesting that although there is incongruity (congruity theory) between being Muslim and not adhering to Islamic banks, Muslim conventional bank consumers seem to resolve the inconsistency (balance theory) with other contemporaneous factors, represented in six themes grounded in the study’s findings and which are explained below.

There is also the argument that, as Singer (1966) explained, consumers differ in their internalization and response to felt inconsistencies. This proposition could be a recommendation for future research.) This conclusion fits well in Heider's attribution theory (1958). Attribution theory explains how people draw inferences for behavior. In other words, it explains what people think is responsible for a certain behavior and explains where does the behavior come from. Heider makes the distinction between "dispositional attribution" and "situational attribution". He explains that in a dispositional attribution the outcome is attributed to internal/individual psychological causes, in that the individual or actor is the cause of the behavior. On the other hand, a situational attribution locates the outcome to external causes.

In the present study, the above conclusion concurs with situational attribution (Heider, 1958), wherein the participants attribute their non-adherence to Islamic banks to external factors. According to them, the reasons not to purchase from Islamic banks does not lie within them. Furthermore, this theory also explains how, by ignoring dispositional attribution, non-Islamic bank account holders do not lose psychological balance despite the posited congruence between Islamic banks and Islam.

Accordingly, six strong themes emerged from the interviews that explain the ambivalent attitude of Muslim bank customers towards Islamic banking, and give meaning to their behavior: "secularism of Muslims", "family tradition of having always being with conventional banks", "confusion/no clear Fatwa (decisive decision from Muslim clerics) about Riba/usury", "separation of religion from business", "mistrust of Islamic banks' principles", "being an employee in an Islamic or in a conventional bank", "not being judgmental", and finally "perceived weak marketing exposure of Islamic banks compared to conventional banks". The incongruity lies not in the Islamic value of no riba/usury per se, but in the consumers' judgement of the Islamic banks'

“perceived ambiguous practices” or “double standards”. In conclusion, one could say that, in the context of Islamic banking and its unpopularity among Muslims, there is an acknowledged incongruity, but there is no felt imbalance. Nevertheless, there a willingness to resolve the perceived inconsistency.

Furthermore, the interviews also revealed that adherents to Islamic banking hold no value judgement towards Muslims who patronize conventional banks. They simply see it as a matter of personal choice. These findings, based on the theoretical underpinning of consistency theories, highlight the theoretical contribution of the study. The study supports the validity of Lomranz and Benyamini’s (2016) concept of aintegration, which suggests that people can live with inconsistencies in complex/incongruous/contradictory/or paradoxical situations, “and yet not experience strain or discomfort”.

#### 6.7 Chapter 6 summary

The aim of this research was to investigate Islamic banking through the lens of customer behavior. The idea that Islamic banking should follow Islamic law and that Islam is a way of life for Muslims to live the good life as ordained by Allah inspired the study. Since Islamic banking is clearly associated with negative stereotypes, it makes sense that Islamic banks should handle banking transactions rather than conventional banks.

The study's problem statement, given this contentious context, was : To what degree do Muslim customers' perceptions, knowledge, and religiosity influence their decision to use Islamic banks? Due to the significance of this research question, two stages of the study were required: a quantitative phase and a qualitative phase. This mixed-mode research methodology allowed us to expand and deepen our understanding of Islamic banking from the standpoint of customer behavior (Creswell, 2014).

Using attitude as a mediating variable, the study's first phase looked at the relationship between consumers' perceptions, knowledge, and religiosity and their purchases of Islamic banks' goods and services.

By referring to the theoretical foundations of consistency theories, the second phase of the research helped to clarify the consumers' perspectives toward Islamic banks.

Research has shown that clients of Islamic banks, both Muslims and non-Muslims, place a high value on ethics when deciding which Islamic bank to do business with. When examining the literature, the consistency theory was the central query that came up.

The statistical study yielded significant results, and the thesis hypothesis was thoroughly established and scrutinized. Additionally, the findings from the qualitative analysis helped to explain the contradiction in the context of balance theories.

## CHAPTER 7. CONTRIBUTION TO KNOWLEDGE

The purpose of this study is to add to the discussion on Islamic banking from the standpoint of consumer behavior and provide Islamic banks in Kuwait with recommendations on how to maintain their competitiveness, influence consumer decisions, increase client retention, and foster expansion. The findings of this study might also be helpful to conventional banks looking to expand their product offerings or embrace Islamic banking practices.

Banking is a highly competitive industry, and in order to make informed banking purchasing decisions, both bankers and clients need to know more about Islamic banking. Thus, Islamic banks must comprehend the consumer from a behavioral standpoint, including their views, knowledge, religiosity, and attitudes, in order to be competitive (Haron, Ahmad, and Planisek, 1994; Dusuki and Abdullah, 2006; Thambiah, Nathan, and Eze, 2008; Loo, 2010). In apt words, Loo (2010) states that while Islamic theory outlines "how people, groups, or governments should act in a perfect Islamic community," actual behavior differs from this ideal, necessitating empirical research to comprehend how Muslims respond to Islamic banking in the real world (p. 455).

There is an overwhelming consensus in the literature that Islamic banking has been suffering from a negative image. Surely, Islamic banking has been promoted in the Muslim world as an alternative to conventional banking with a strong positioning on Islamic Sharia law (Islamic Jurisprudence) compliance. Since its launching in the 1960s, Islamic banking has seen an increase in the number of adherents. However, recent data from the World Islamic Banking Competitive Report (WIBCR, 2016) indicate that the increase in Islamic bank adherents is attributed to only a few countries in the GCC (Gulf Council Countries) region, namely Saudi Arabia, Bahrain, and

Kuwait. Data suggest that, indeed, Islamic banking is lacking popularity in most Muslim-majority countries, including for example, Iran, Turkey, Malaysia, Pakistan, Morocco, or Nigeria.

### 7.1 Sensing the problem

This reality is paradoxical in that Islamic banking's premise and *raison-d'être* is its congruence with Islamic law. One would expect Muslims to jump on the bandwagon of Islamic banks because it is Halal/lawful banking in comparison to conventional banking. The latter is perceived in Islam as a Haram/unlawful banking system because of its dealing with interest rate (Riba/usury). The Holy Quran, which is perceived by Muslims as the direct words of Allah, revealed to his Messenger Prophet Muhammad (Peace Be upon Him), strictly forbids dealing with usury because usury, in simple terms, is perceived as a banking exchange system that keeps the poor poorer and undermines his/her work efforts through the paying of interest. In other words, when a person takes a loan from a conventional bank, to pay back the loan, he or she must pay more than the actual loan; whereas all things being equal, that extra amount taken by the loaner could be used by the loanee to better his or her quality of life. Therefore, according to cognitive congruity theory (Tannenbaum and Osgood, 1967), Muslims should be morally bound to align with Islamic banking and do business with Islamic banks, and Islamic banking should be normatively accepted by Muslims.

It was confusing to me as a Muslim residing in Kuwait who uses Islamic banks that more than half of the country's Muslim population does not use Islamic banks. I find it even more perplexing that, in most Muslim-dominated countries across the globe, a minuscule percentage of bank customers transact with Islamic banks, making the problem much worse. My goal in doing this research is to better understand this phenomenon and then to provide recommendations to Islamic banks on how to keep their current clientele from leaving and attract new ones.

Islamic banking based on interest-free loan, is not new but has its roots in early Judeo-Christian tradition of doing business (e.g., Stein, 1956; Maloney, 1971), and has recently found echo in contemporary ethical banking. Yet, despite the claims about the progress of Islamic banking in Muslim countries, data show that there is “much ado about nothing”, in the sense that Islamic banking has not been able to enter Muslim consumers’ psyche as the alternative to conventional banking, despite the religious gravity associated to non-adherence to its principles. The enormity of this issue is clearly mentioned in many verses of the Quran (e.g., “Surat Al-Imran, Aya 130”, “Surat AlBaqara, Aya 275”, and “Surat AlBaqara, Aya 276”), wherein Allah says unambiguously that those who deal with usury are classified as “sinners and disbelievers”. Hence, religiously, the perceived risk associated with the purchase of conventional banking for a Muslim is clear and adherence to Islamic banks becomes deontologically sound.

## 7.2 Formulating the problem statement

The simple and yet most puzzling research question that follows is: “since Islamic banking is built on the Sharia law, which principles are there to guide Muslim actions based on the words of God and His Messenger’s teachings, why is Islamic banking not attractive to the majority of Muslims?”. The research took place in Kuwait, an oil-rich Muslim Arab country in which, according to the Gulf Opinion Center for Polls and Statistics (2014), 95% of a sample of Kuwaiti citizens (N= 1303) say that religion is important in their life. It is more important than friends (93%), work (94%), leisure (73%), and politics (60%). A little over three-fourth consider themselves to be religious people, and 71% indicate that religion is “always right”.

Putting the ambivalent attitude of Muslim consumers towards Islamic banks into question, the purpose of the study was to shed some light on the reasons behind the unpopularity of Islamic banks, from a behavioral perspective taking the consistency theories as a theoretical background.



For this purpose, as will be further explained, this study used a mixed-mode research method by combining quantitative research design with qualitative research design (Creswell, 2014). This is because as explained by Creswell (2014), whereas the first design can be employed to test a conceptual model and accompanying hypotheses developed from the literature, the second design can be used to shed more light on the quantitative results and offer a deeper understanding of the phenomenon under inquiry, and understanding that is grounded in the participants' opinions. Thus, the study was conducted in two phases: the quantitative phase and, later on, the qualitative phase.

Also, the study has practical implications. Based on the results of the two research phases, a few practical recommendations were made for Islamic banks to keep existing Muslim customers and potentially attract new ones include. These are presented in the upcoming section.

### 7.3 Filling the literature gap

The literature on Islamic banking is expanding, but it still mostly addresses the operational, financial, development, and policy elements of the industry. "The earlier literature of Islamic banking built a foundation using normative judgment, descriptive analysis, theoretical development, and appraisal of country experiences," according to a survey of the literature done in 2016 by Hassan and Sirajo. Further studies concentrate on the empirical inquiries without delving further into the field's analysis and theory. The financial crisis, solvency, transparency, and financial inclusion are the main topics of recent research (p. 1).

As a result, the body of research on Islamic banking's customer side is still quite small. For instance, the excellent book *Islamic Banking and Finance: Principle and Practice*, written in 2013 by Kabir Hassan, Kayed, and Oseni, does not contain a single chapter on consumers or consumer behavior. Similarly, the 20-chapter *Handbook of Islamic Banking* by Hassani and Lewis (2007) only has one chapter labeled "Marketing of Islamic financial products," where the

writers provide a general summary of the customer. Furthermore, some of the scholarly works that have been written about the demand side of Islamic banking could be considered to be at best unclear or to have no value at all. After evaluating the literature, the current study makes the case that some studies utilize the terms interchangeably or mix perception with attitudes and attitudes with conduct. Moreover, several articles lack a valid operationalization of the constructs that are being studied. For these reasons, the current work aims to close these gaps in the literature.

#### 7.4 Managerial implications

There is a real need for a strong positioning of Islamic banking as a “true” alternative to conventional banking, with a strong emphasis on Sharia compliancy, transparency, and trust in Islamic banks. Bank consumers are struggling to find answers to pertinent questions, such as: “why Muslim clerics/Imams are divided on the issue of riba/usury?”, “why the double standards of Islamic banks/ why do some Islamic banks also offer conventional banking and vice versa?”, “is mixing the two banking systems under one roof a matter of religious principles or a matter of supply and demand/business as usual?”. Answers to these questions could help the positioning of Islamic banks in the mind of consumers.

Moreover, since all three customer groups (Islamic banking account holders, conventional ones, and mixed bank account holders) scored high on religiosity, the association of perception with compliancy, transparency, and trust can increase the brand equity of Islamic banking. Since, both conventional bank account holders and those holding both accounts score statistically and significantly lower on all the variables than Islamic bank account holders, this positioning is therefore applicable to all three groups. Subsequently, for this positioning to be effective, it needs to be followed with a strong communication/marketing campaign focused on rebranding Islamic banks. Public Relations (PR) as a communication channel could be helpful in this matter.

According to the theoretical assumptions of balance theory (Heider, 1946), responding to such questions and presenting them through PR, could help to form a positive unit relation between the triad Muslim consumer, Islamic banking principles, and Islamic banks, based on closeness and similarity, and not distinctness, distance or dissimilarity. Whether consumers' judgement of Islamic banks is biased or not, it is clear that there is controversy, and controversy leads to disidentification and non-involvement with the product or the brand. Consumers need a coherent sense of balance between personal values and product preference (Prince, 2020). As long as there is ambiguity between Islamic banks and Sharia law, the choice of conventional banks will be based on "situational attribution" (Heider, 1958).

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Specifically, based on the study's results, the following recommendations could be taken into consideration by Islamic banks to strengthen the image of Islamic banking in Kuwait:

- Since it is now clear that perception is the variable that discriminates the most between Islamic banks' patrons, conventional banks' patrons, and those holding accounts in both bank systems, Islamic banks need to emphasize in their marketing communication a clear difference between Islamic banking and conventional banking, that they are in concordance with Sharia law, and that they are not "playing tricks" to manipulate consumers in order to sell their products. Transparency is a key factor.
- In terms of attitude, reputation and trust appear to be paramount in making a difference in consumers' mind. Thus, Islamic banks can change "misconceptions" (Islamic Bank of Bahrain, 2019) by positioning themselves in the mind of consumers as "true Islamic".

- Such a positioning can help in attracting new consumers, preventing switching from Islamic to conventional banks, as well as keep existing customers. Switchers scored negative on all variables.
- Arab consumers, other than Kuwaitis, appear to be less likely to purchase Islamic banking products. An increase in knowledge about Islamic banking may change their hearts and minds towards Islamic banking.

### 7.5 Theoretical implications

The study looks at consumer behavior to determine why Muslims in countries with most Muslims do not use Islamic banks. An observer would consider the irony of Muslims not using Islamic banks and the contradiction of Islamic banking's lack of appeal in Muslim nations.

Studying how people perceive products and services and how their perception, attitudes, and behavior toward them are influenced by their social and cultural context is the disciplinary focus of social psychology (Solomon et al., 2014). This study's research justification is grounded in consistency theories. The theories suggest that affect, which refers to one's liking or disliking of a stimulus, beliefs, which are based on a cognitive interpretation of the stimulus, and behavioral intention, which is the inclination to react either positively or negatively to the stimulus, interact (Awa and Nwuche, 2020). "The authors observe that consistency theorists share the basic assumption that individual strives to achieve consistency within and between his cognition," they say, citing Day (1973). Additionally, Heider's attribution theory (1958) and the more contemporary aintegration theory created by Lomranz and Benyamini (2016) were found to inform the study's conclusions.

Another contribution for the study is the understanding the phenomenon of Islamic banking through the eyes, knowledge, beliefs, and behaviors of various customer segments,

including those who use Islamic banks, those who use traditional banks, those who maintain accounts in both systems, and those who converted from Islamic to conventional banking.

Consistency theories, such as Heider's (1946) balance theory, Osgood and Tannenbaum's (1955) congruity theory, Festinger's (1964) cognitive dissonance theory, and more recently Omaranz and Benjamini (2016) integration theory, make certain assumptions. Like, if Islamic banking aligns with Islamic law and Muslims follow Islam as a means of living a fulfilling life as directed by Allah, then Islamic banks should handle Muslim banking transactions rather than conventional banks.

Several factors contribute to the complexity of consumer behavior, including the challenge of extrapolating patterns of behavior from one country or consumer market to another (Solomon et al., 2014). Even though there are many textbooks on consumer behavior, Solomon and his colleagues believe that a European edition should be developed immediately because, as they put it, "some of the general theory about the psychological or sociological influences on consumer behavior may be common to all Western cultures." According to Solomon et al. (2014), "On the one hand, certain theories might be culturally specific." (p. 4). The study makes the same case for an Arabic version, a Muslim edition.

#### 7.6 Theoretical recommendations for future studies

Like any other study this study has also a few limitations. First, the sample size is relatively smaller (N=376) compared to the targeted number. Some respondents skipped many questions in the instrument, which has led to the deletion of the whole questionnaire.

The conclusions of this study must be taken cautiously because of the relatively smaller sample size. As has been reported earlier, the study experienced disproportionate data missingness due to the length of the questionnaire, the sensitivity of the topic (religion and finance), and perhaps also due to the break of the COVID19 pandemic. What is important to note is that the majority of

studies does not report missing data (Hair et al., 1997; Dong and Peng, 2013). Hence, it would be interesting to conduct a similar study, compare the rate of missing data and understand the true reasons behind data missingness. Furthermore, a comparative study with a larger sample size would help in supporting the results of this study in terms of generalizability of the results.

This study was delimited to Islamic banking in Kuwait. Therefore, generalization of the findings to other Muslim countries or Arab countries including the GCC countries should be considered cautiously, despite existing between country similarities, namely the role of religion in Muslim people's lives. This argument is based on Solomon et al. (2014) who also argue that consumer behavior is cultural and contextual.

Besides replicating the study with a larger sample size, to further our understanding about Islamic banking from a consumer behavior perspective, and in accordance with consistency theories, it would be interesting to study the effect the ambivalent attitude of Muslim consumers towards Islamic banking has on their cognitive and affective balance from a religious and social perspective. That is, how do they, as Muslims, cope or internalize their non-endorsement of Islamic banking despite Islamic teachings about *riba* and *Sharia* law.

A constructivist research design would be most appropriate for this type of inquiry. Several research avenues, other than replicating existing studies, could shed more light on Islamic banking's demand, such as a study of Islamic banking account holders' personality, values, and lifestyle compared to Muslim holders of conventional bank accounts and churn customers, especially that the study found that about 20% of the sample indicated that they have switched to or are planning to switch to conventional banking. Studies based on psychographics research have not yet received the attention of academics interested in Islamic banking.

## 7.7 Chapter 7 summary

In addition to offering Islamic banks in Kuwait advice on how to keep up their competitiveness, sway consumer decisions, boost customer retention, and encourage growth, the study aims to contribute to the conversation on Islamic banking from the perspective of consumer behavior. Conventional banks wishing to offer more products or adopt Islamic banking processes may find the study's conclusions useful.

Islamic banking's foundation and purpose is its compliance with Islamic law, which makes this fact problematic. Since Islamic banking is Halal or legal in contrast to traditional banking, one would think that Muslims would embrace Islamic banks. Because of the way the latter handles interest rates (Riba/usury), it is viewed in Islam as a Haram/illegal banking system. "Since Islamic banking is based on Sharia law, which provides guidelines for Muslim behavior based on the teachings of God and His Messenger, why is Islamic banking not appealing to the majority of Muslims?" is the straightforward yet extremely perplexing research topic that follows.

While there is a growing body of literature on Islamic banking, most of it still focuses on the financial, development, operational, and policy aspects of the sector. This has led to a dearth of study on the client side of Islamic banking. The current study evaluates the literature and argues that some studies confuse perception with attitudes and behavior with attitudes or use the terms interchangeably. Furthermore, the operationalization of the constructs under study in several articles is invalid. These factors motivate the current work's attempt to fill in these gaps in the literature.

Islamic banks might explore the following suggestions to improve the perception of Islamic banking in Kuwait, based on the study's findings.



A few issues, such as the difficulty of generalizing behavior patterns from one nation or consumer market to another, add to the complexity of consumer behavior. In line with Solomon and colleagues (2014). The similar argument is made in the study in favor of a Muslim edition in Arabic.

Because of the comparatively small sample size, the study's conclusions should be interpreted with caution.

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# List of Appendices

## APPENDIX 1

Table 19. Descriptive statistics of constructs.

Dependent Variable		(I) account	(J) account	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval Lower Bound	Upper Bound
M_Attitude	Tukey HSD	1	2	1.42016*	.11751	.000	1.1437	1.6967
			3	.59046*	.09048	.000	.3776	.8034
		2	1	-1.42016*	.11751	.000	-1.6967	-1.1437
			3	-.82970*	.12353	.000	-1.1204	-.5390
		3	1	-.59046*	.09048	.000	-.8034	-.3776
			2	.82970*	.12353	.000	.5390	1.1204
	Dunn ett C	1	2	1.42016*	.11325		1.1490	1.6913
			3	.59046*	.09332		.3695	.8115
		2	1	-1.42016*	.11325		-1.6913	-1.1490
			3	-.82970*	.12468		-1.1279	-.5315
		3	1	-.59046*	.09332		-.8115	-.3695
			2	.82970*	.12468		.5315	1.1279
M_Knowledge	Tukey HSD	1	2	.58785*	.12165	.000	.3016	.8741
			3	.18964	.09367	.108	-.0308	.4100
		2	1	-.58785*	.12165	.000	-.8741	-.3016
			3	-.39821*	.12788	.006	-.6991	-.0973
		3	1	-.18964	.09367	.108	-.4100	.0308
			2	.39821*	.12788	.006	.0973	.6991
	Dunn ett C	1	2	.58785*	.10920		.3266	.8491
			3	.18964	.09736		-.0409	.4202
		2	1	-.58785*	.10920		-.8491	-.3266
			3	-.39821*	.12007		-.6852	-.1112
		3	1	-.18964	.09736		-.4202	.0409
			2	.39821*	.12007		.1112	.6852
M_Religion	Tukey HSD	1	2	.35305*	.07674	.000	.1725	.5336
			3	.14621*	.05909	.037	.0072	.2853
		2	1	-.35305*	.07674	.000	-.5336	-.1725
			3	-.20684*	.08067	.029	-.3967	-.0170
		3	1	-.14621*	.05909	.037	-.2853	-.0072
			2	.20684*	.08067	.029	.0170	.3967
	Dunn ett C	1	2	.35305*	.10163		.1089	.5972
			3	.14621*	.05752		.0099	.2825
		2	1	-.35305*	.10163		-.5972	-.1089
			3	-.20684	.11205		-.4754	.0617
		3	1	-.14621*	.05752		-.2825	-.0099
			2	.20684	.11205		-.0617	.4754
M_PIBrev	Tukey HSD	1	2	1.62769*	.13171	.000	1.3178	1.9376
			3	.91935*	.10141	.000	.6807	1.1580
		2	1	-1.62769*	.13171	.000	-1.9376	-1.3178

		3		-.70833*	.13846	.000	-1.0341	-.3825
	3	1		-.91935*	.10141	.000	-1.1580	-.6807
		2		.70833*	.13846	.000	.3825	1.0341
Dunn ett C	1	2		1.62769*	.11486		1.3529	1.9025
		3		.91935*	.10783		.6640	1.1747
		2	1	-1.62769*	.11486		-1.9025	-1.3529
	2	3		-.70833*	.13215		-1.0241	-.3926
		1		-.91935*	.10783		-1.1747	-.6640
		2		.70833*	.13215		.3926	1.0241

\*. The mean difference is significant at the 0.05 level.

Table 20. The ANOVA Table with multiple comparisons.

Indicates that even considering the differences in sample size among groups, some of the differences observed are statistically significant. Since group variances are not equal, I have added an additional test for such case, namely the Dunnett C.

		N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
						Lower Bound	Upper Bound		
M_Attitude	1	186	4.1174	.74624	.05472	4.0094	4.2253	1.17	5.00
	2	60	2.6972	.76806	.09916	2.4988	2.8956	1.00	4.17
	3	130	3.5269	.86186	.07559	3.3774	3.6765	1.17	5.00
	Total	376	3.6866	.93838	.04839	3.5915	3.7818	1.00	5.00
M_Knowledge	1	186	3.2312	.80599	.05910	3.1146	3.3478	1.40	5.00
	2	60	2.6433	.71126	.09182	2.4596	2.8271	1.00	4.40
	3	130	3.0415	.88210	.07737	2.8885	3.1946	1.00	5.00
	Total	376	3.0718	.84263	.04346	2.9864	3.1573	1.00	5.00
M_Relig	1	186	4.7975	.31703	.02325	4.7516	4.8434	4.00	5.00
	2	60	4.4444	.76633	.09893	4.2465	4.6424	1.00	5.00
	3	130	4.6513	.59983	.05261	4.5472	4.7554	1.83	5.00
	Total	376	4.6906	.53070	.02737	4.6368	4.7444	1.00	5.00
M_PIBrev	1	186	3.6694	.82709	.06065	3.5497	3.7890	1.00	5.00
	2	60	2.0417	.75561	.09755	1.8465	2.2369	1.00	3.70
	3	130	2.7500	1.01655	.08916	2.5736	2.9264	1.00	4.90
	Total	376	3.0918	1.07944	.05567	2.9823	3.2012	1.00	5.00



**APPENDIX 2**

Table 21. Multiple Comparisons, Tukey HSD.

Comp	Total Variance Explained						Rotation Sums of Squared		
	Initial Eigenvalues			Extraction Sums of Squared Loadings			Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	15.358	38.395	38.395	15.358	38.395	38.395	8.985	22.463	22.463
2	2.290	5.726	44.121	2.290	5.726	44.121	4.374	10.936	33.398
3	1.639	4.097	48.218	1.639	4.097	48.218	2.959	7.397	40.795
4	1.301	3.251	51.469	1.301	3.251	51.469	2.426	6.064	46.859
5	1.256	3.139	54.608	1.256	3.139	54.608	1.707	4.269	51.128
6	1.218	3.044	57.652	1.218	3.044	57.652	1.691	4.227	55.355
7	1.062	2.654	60.306	1.062	2.654	60.306	1.508	3.769	59.124
8	1.015	2.537	62.843	1.015	2.537	62.843	1.487	3.719	62.843
9	.900	2.249	65.092						
10	.840	2.100	67.192						
11	.803	2.006	69.198						
12	.793	1.983	71.181						
13	.746	1.865	73.046						
14	.714	1.786	74.832						
15	.702	1.756	76.588						
16	.653	1.633	78.220						
17	.639	1.599	79.819						
18	.619	1.548	81.367						
19	.601	1.503	82.870						
20	.564	1.409	84.279						
21	.524	1.310	85.590						
22	.481	1.203	86.792						
23	.470	1.176	87.968						
24	.445	1.113	89.081						
25	.431	1.079	90.160						
26	.400	1.001	91.161						
27	.387	.966	92.127						
28	.340	.850	92.977						
29	.333	.833	93.810						
30	.325	.813	94.623						
31	.298	.745	95.368						
32	.296	.740	96.108						
33	.282	.705	96.813						
34	.251	.628	97.442						
35	.240	.599	98.041						
36	.219	.547	98.588						
37	.218	.544	99.132						
38	.136	.339	99.471						

39	.117	.294	99.765					
40	.094	.235	100.000					

Extraction Method: Principal Component Analysis.

FACTOR ANALYSIS PERCEPTION OF ISLAMIC BANKING.  
Table 22. Rotated Component Matrix.

	Component							
	1	2	3	4	5	6	7	8
PIB1	.789							
PIB2	.876							
PIB3	.871							
PIB4	.835							
PIB5		.492						
PIB6	.701							
PIB7	.643							
PIB8	.565	.461						
PIB9				.454				
PIB10	.560							
PIB11		.667						
PIB12	.505	.476						
PIB13	.544		.409					
PIB14			.613					
PIB15			.773					
PIB16			.818					
PIB17			.507					
PIB18		.432					.524	
PIB19							.718	
PIB20								.676
PIB21	.751							
PIB22	.592							
PIB23								
PIB24		.613						
PIB25								
PIB26	.594							
PIB27					.804			
PIB28					.770			
PIB29				.665				
PIB30		.624						
PIB31		.564						
PIB32	.676							
PIB33	.650							
PIB34	.659							

PIB35				.463			
PIB36				.558			
PIB37		.501					
PIB38						.810	
PIB39						.626	
PIB40				.488			

Extraction Method: Principal Component Analysis.  
 Rotation Method: Varimax with Kaiser Normalization. <sup>a</sup>  
 a. Rotation converged in 23 iterations.

### **APPENDIX 3**

#### RELIABILITY SCORES

##### Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.872	.874	5

##### Item Statistics

	Mean	Std. Deviation	N
K100	2.72	1.010	372
K101	2.65	.994	372
K102	3.39	1.099	372
K103	3.28	1.140	372
K104	3.34	.934	372

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##### Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.900	.904	6

##### Item Statistics

	Mean	Std. Deviation	N
A51	3.6356	1.13969	376
A52	3.7952	1.04719	376
A57	3.7872	1.10632	376
A59	3.9521	1.03168	376
A54Rev	3.8005	1.23076	376
A55Rev	3.1489	1.31012	376

### Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.950	.950	10

### Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.919	.921	6

### Item Statistics

	Mean	Std. Deviation	N
PIB1REV	3.4601	1.38891	376
PIB2REV	3.5053	1.40854	376
PIB3REV	3.2580	1.42359	376
PIB4REV	3.2048	1.37330	376
PIB6REV	2.8936	1.22392	376
PIB7REV	3.1117	1.12108	376
PIB21REV	3.1011	1.29631	376
PIB32REV	2.9016	1.28308	376
PIB33REV	2.6915	1.22007	376
PIB34REV	2.7899	1.22681	376

### Item Statistics

	Mean	Std. Deviation	N
R72	4.69	.620	376
R74	4.54	.722	376
R75	4.64	.667	376
R76	4.74	.619	376
R77	4.69	.638	376
R78	4.84	.486	376

**APPENDIX 4**

Table 23. Crosstab GENDER x SWITCHED TO CONVENTIONAL BANK

		switchED to conv		Total	
		No	yes		
Gender	female	Count	78	11	89
		% within Gender	87.6%	12.4%	100.0%
		% within switchED to conv	23.8%	22.9%	23.7%
		% of Total	20.7%	2.9%	23.7%
Gender	male	Count	250	37	287
		% within Gender	87.1%	12.9%	100.0%
		% within switchED to conv	76.2%	77.1%	76.3%
		% of Total	66.5%	9.8%	76.3%
Total	Count		328	48	376
	% within Gender		87.2%	12.8%	100.0%
	% within switchED to conv		100.0%	100.0%	100.0%
	% of Total		87.2%	12.8%	100.0%

Symmetric Measures

		Value	Approximate Significance
Nominal by Nominal	Contingency Coefficient	.007	.895
N of Valid Cases		376	

Table 24. Crosstab EDUCATION x SWITCHED TO CONVENTIONAL BANK

			switchED to conv		Total
			No	yes	
Edu	highschool	Count	53	8	61
		% within Edu	86.9%	13.1%	100.0%
		% within switchED to conv	16.2%	16.7%	16.2%
		% of Total	14.1%	2.1%	16.2%
	bachelor	Count	169	20	189
		% within Edu	89.4%	10.6%	100.0%
		% within switchED to conv	51.5%	41.7%	50.3%
		% of Total	44.9%	5.3%	50.3%
	master	Count	61	12	73
		% within Edu	83.6%	16.4%	100.0%
		% within switchED to conv	18.6%	25.0%	19.4%
		% of Total	16.2%	3.2%	19.4%
ph.d.	Count	45	8	53	
	% within Edu	84.9%	15.1%	100.0%	
	% within switchED to conv	13.7%	16.7%	14.1%	
	% of Total	12.0%	2.1%	14.1%	
Total	Count	328	48	376	
	% within Edu	87.2%	12.8%	100.0%	
	% within switchED to conv	100.0%	100.0%	100.0%	
	% of Total	87.2%	12.8%	100.0%	

Symmetric Measures

		Value	Approximate Significance
Nominal by Nominal	Contingency Coefficient	.072	.581
N of Valid Cases		376	



Table 25. Crosstab NATIONALITY x SWITCHED TO  
CONVENTIONAL BANK

			switchED to conv		Total
			No	yes	
Nation	non-kuwaiti	Count	87	17	104
		% within Nation	83.7%	16.3%	100.0%
		% within switchED to conv	26.5%	35.4%	27.7%
		% of Total	23.1%	4.5%	27.7%
	kuwaiti	Count	241	31	272
		% within Nation	88.6%	11.4%	100.0%
		% within switchED to conv	73.5%	64.6%	72.3%
		% of Total	64.1%	8.2%	72.3%
Total	Count	328	48	376	
	% within Nation	87.2%	12.8%	100.0%	
	% within switchED to conv	100.0%	100.0%	100.0%	
	% of Total	87.2%	12.8%	100.0%	

Symmetric Measures

		Value	Approximate Significance
Nominal by Nominal	Contingency Coefficient	.066	.198
N of Valid Cases		376	

Table 26. Crosstab SALARY x SWITCHED TO  
CONVENTIONAL BANK

			switchED to conv		Total
			no	yes	
salary	1	Count	13	1	14
		% within salary	92.9%	7.1%	100.0%
		% within switchED to conv	4.0%	2.1%	3.7%
		% of Total	3.5%	0.3%	3.7%
	2	Count	44	4	48
		% within salary	91.7%	8.3%	100.0%
		% within switchED to conv	13.4%	8.3%	12.8%
		% of Total	11.7%	1.1%	12.8%
	3	Count	68	17	85
		% within salary	80.0%	20.0%	100.0%
		% within switchED to conv	20.7%	35.4%	22.6%
		% of Total	18.1%	4.5%	22.6%
	4	Count	58	10	68
		% within salary	85.3%	14.7%	100.0%
		% within switchED to conv	17.7%	20.8%	18.1%
		% of Total	15.4%	2.7%	18.1%
5	Count	145	16	161	
	% within salary	90.1%	9.9%	100.0%	
	% within switchED to conv	44.2%	33.3%	42.8%	
	% of Total	38.6%	4.3%	42.8%	
Total	Count	328	48	376	
	% within salary	87.2%	12.8%	100.0%	
	% within switchED to conv	100.0%	100.0%	100.0%	
	% of Total	87.2%	12.8%	100.0%	

Symmetric Measures

		Value	Approximate Significance
Nominal by Nominal	Contingency Coefficient	.132	.157
N of Valid Cases		376	

**APPENDIX 5**

**MEDIATION TESTS**

Run MATRIX procedure:

\*\*\*\*\* PROCESS Procedure for SPSS Version 3.4.1 \*\*\*\*\*

Written by Andrew F. Hayes, Ph.D.            www.afhayes.com  
Documentation available in Hayes (2018). www.guilford.com/p/hayes3

\*\*\*\*\*

Model : 4  
Y : AC  
X : M\_PIBr2  
M : M\_Atti2

Covariates:  
M\_Relig M\_Knowle

Sample  
Size: 246

\*\*\*\*\*

OUTCOME VARIABLE:  
M\_Atti2

Model Summary

	R	R-sq	MSE	F	df1	df2	p
	.7342	.5391	.4282	94.3602	3.0000	242.0000	.0000

Model

	coeff	se	t	p	LLCI	ULCI
constant	.4456	.4180	1.0660	.2875	-.3778	1.2691
M_PIBr2	.6542	.0452	14.4756	.0000	.5652	.7433
M_Relig	.2660	.0881	3.0185	.0028	.0924	.4396
M_Knowle	.0303	.0534	.5663	.5717	-.0750	.1355

\*\*\*\*\*

OUTCOME VARIABLE:

AC

Coding of binary Y for logistic regression analysis:

AC Analysis	
.00	.00
1.00	1.00

Model Summary

-2LL	ModelLL	df	p	McFadden	CoxSnell	Nagelkrk
133.7372	139.5868	4.0000	.0000	.5107	.4330	.6455

Model

	coeff	se	Z	p	LLCI	ULCI
constant	-15.4552	2.9553	-5.2296	.0000	-21.2475	-9.6629
M_PIBr2	1.8122	.3783	4.7905	.0000	1.0708	2.5537
M_Atti2	.7457	.2943	2.5340	.0113	.1689	1.3225
M_Relig	1.4412	.5309	2.7147	.0066	.4007	2.4818
M_Knowle	.8280	.2987	2.7724	.0056	.2426	1.4133

These results are expressed in a log-odds metric.

\*\*\*\*\* DIRECT AND INDIRECT EFFECTS OF X ON Y \*\*\*\*\*

Direct effect of X on Y

Effect	se	Z	p	LLCI	ULCI
1.8122	.3783	4.7905	.0000	1.0708	2.5537

Indirect effect(s) of X on Y:

	Effect	BootSE	BootLLCI	BootULCI
M_Atti2	.4879	.2405	.0896	1.0611

\*\*\*\*\* ANALYSIS NOTES AND ERRORS \*\*\*\*\*

Level of confidence for all confidence intervals in output:

95.0000

Number of bootstrap samples for percentile bootstrap confidence intervals:

5000

NOTE: Direct and indirect effects of X on Y are on a log-odds metric.

NOTE: Variables names longer than eight characters can produce incorrect output.

Shorter variable names are recommended.

----- END MATRIX -----

Run MATRIX procedure:

\*\*\*\*\* PROCESS Procedure for SPSS Version 3.4.1 \*\*\*\*\*

Written by Andrew F. Hayes, Ph.D. [www.afhayes.com](http://www.afhayes.com)

Documentation available in Hayes (2018). [www.guilford.com/p/hayes3](http://www.guilford.com/p/hayes3)

\*\*\*\*\*

Model : 4

Y : AC

X : M\_Relig

M : M\_Atti2

Covariates:

M\_Knowle M\_PIBr2

Sample

Size: 246

\*\*\*\*\*

OUTCOME VARIABLE:

M\_Atti2

Model Summary

R	R-sq	MSE	F	df1	df2	p
.7342	.5391	.4282	94.3602	3.0000	242.0000	.0000

Model

	coeff	se	t	p	LLCI	ULCI
constant	.4456	.4180	1.0660	.2875	-.3778	1.2691
M_Relig	.2660	.0881	3.0185	.0028	.0924	.4396
M_Knowle	.0303	.0534	.5663	.5717	-.0750	.1355
M_PIBr2	.6542	.0452	14.4756	.0000	.5652	.7433

\*\*\*\*\*

OUTCOME VARIABLE:

AC

Coding of binary Y for logistic regression analysis:

AC	Analysis
.00	.00
1.00	1.00

Model Summary

-2LL	ModelLL	df	p	McFadden	CoxSnell	Nagelkrk
133.7372	139.5868	4.0000	.0000	.5107	.4330	.6455

Model

	coeff	se	Z	p	LLCI	ULCI
constant	-15.4552	2.9553	-5.2296	.0000	-21.2475	-9.6629
M_Relig	1.4412	.5309	2.7147	.0066	.4007	2.4818
M_Atti2	.7457	.2943	2.5340	.0113	.1689	1.3225
M_Knowle	.8280	.2987	2.7724	.0056	.2426	1.4133
M_PIBr2	1.8122	.3783	4.7905	.0000	1.0708	2.5537

These results are expressed in a log-odds metric.

\*\*\*\*\* DIRECT AND INDIRECT EFFECTS OF X ON Y \*\*\*\*\*

Direct effect of X on Y

Effect	se	Z	p	LLCI	ULCI
1.4412	.5309	2.7147	.0066	.4007	2.4818

Indirect effect(s) of X on Y:

	Effect	BootSE	BootLLCI	BootULCI
M_Atti2	.1984	.1155	.0349	.4888

\*\*\*\*\* ANALYSIS NOTES AND ERRORS \*\*\*\*\*

Level of confidence for all confidence intervals in output:

95.0000

Number of bootstrap samples for percentile bootstrap confidence intervals:

5000

NOTE: Direct and indirect effects of X on Y are on a log-odds metric.

NOTE: Variables names longer than eight characters can produce incorrect output.

Shorter variable names are recommended.

----- END MATRIX -----

Run MATRIX procedure:

\*\*\*\*\* PROCESS Procedure for SPSS Version 3.4.1 \*\*\*\*\*

Written by Andrew F. Hayes, Ph.D.      www.afhayes.com  
Documentation available in Hayes (2018). www.guilford.com/p/hayes3

\*\*\*\*\*

Model : 4  
Y : AC  
X : M\_Knowle  
M : M\_Atti2

Covariates:  
M\_PIBr2 M\_Relig

Sample  
Size: 246

\*\*\*\*\*

OUTCOME VARIABLE:  
M\_Atti2

Model Summary

	R	R-sq	MSE	F	df1	df2	p
	.7342	.5391	.4282	94.3602	3.0000	242.0000	.0000

Model

	coeff	se	t	p	LLCI	ULCI
constant	.4456	.4180	1.0660	.2875	-.3778	1.2691
M_Knowle	.0303	.0534	.5663	.5717	-.0750	.1355
M_PIBr2	.6542	.0452	14.4756	.0000	.5652	.7433
M_Relig	.2660	.0881	3.0185	.0028	.0924	.4396

\*\*\*\*\*



OUTCOME VARIABLE:

AC

Coding of binary Y for logistic regression analysis:

AC	Analysis
.00	.00
1.00	1.00

Model Summary

-2LL	ModelLL	df	p	McFadden	CoxSnell	Nagelkrk
133.7372	139.5868	4.0000	.0000	.5107	.4330	.6455

Model

	coeff	se	Z	p	LLCI	ULCI
constant	-15.4552	2.9553	-5.2296	.0000	-21.2475	-9.6629
M_Knowle	.8280	.2987	2.7724	.0056	.2426	1.4133
M_Atti2	.7457	.2943	2.5340	.0113	.1689	1.3225
M_PIBr2	1.8122	.3783	4.7905	.0000	1.0708	2.5537
M_Relig	1.4412	.5309	2.7147	.0066	.4007	2.4818

These results are expressed in a log-odds metric.

\*\*\*\*\* DIRECT AND INDIRECT EFFECTS OF X ON Y \*\*\*\*\*

Direct effect of X on Y

Effect	se	Z	p	LLCI	ULCI
.8280	.2987	2.7724	.0056	.2426	1.4133

Indirect effect(s) of X on Y:

	Effect	BootSE	BootLLCI	BootULCI
M_Atti2	.0226	.0513	-.0761	.1415

\*\*\*\*\* ANALYSIS NOTES AND ERRORS \*\*\*\*\*

Level of confidence for all confidence intervals in output:

95.0000

Number of bootstrap samples for percentile bootstrap confidence intervals:

5000

NOTE: Direct and indirect effects of X on Y are on a log-odds metric.

NOTE: Variables names longer than eight characters can produce incorrect output.

Shorter variable names are recommended.

----- END MATRIX -----

## APPENDIX 6.

Perceptions of Islamic baking (PIB).

Respondents were asked to give their opinion about a set of perception statements identified in the literature. Responses were based on a five-point Likert scale where 1=strongly disagree and 5=strongly agree. The coding of the variables was reversed (hence REV) because all the items are stated in a negative form, contrary to other items of the questionnaire. As can be seen in Table 27.

Table 27. Variables coding.

	Mean		Std. Deviation Statistic	Skewness		Kurtosis	
	Statistic	Std. Error		Statistic	Std. Error	Statistic	Std. Error
PIB1REV	3.4601	.07163	1.38891	-.376	.126	-1.192	.251
PIB2REV	3.5053	.07264	1.40854	-.520	.126	-1.039	.251
PIB3REV	3.2580	.07342	1.42359	-.267	.126	-1.253	.251
PIB4REV	3.2048	.07082	1.37330	-.218	.126	-1.189	.251
PIB5REV	2.7686	.06019	1.16718	.145	.126	-.709	.251
PIB6REV	2.8936	.06312	1.22392	.143	.126	-.931	.251
PIB7REV	3.1117	.05782	1.12108	.018	.126	-.567	.251
PIB8REV	2.8032	.06254	1.21264	.139	.126	-.926	.251
PIB9REV	2.5080	.04504	.87327	.314	.126	.092	.251
PIB10REV	3.2048	.06033	1.16988	-.364	.126	-.696	.251
PIB11REV	2.6117	.05855	1.13526	.255	.126	-.639	.251
PIB12REV	3.2766	.06127	1.18798	-.386	.126	-.685	.251
PIB13REV	2.8989	.06109	1.18452	.051	.126	-.917	.251
PIB14REV	2.3617	.04785	.92781	.329	.126	-.104	.251
PIB15REV	2.4973	.04719	.91506	.176	.126	.029	.251
PIB16REV	2.1702	.04369	.84712	.594	.126	.434	.251
PIB17REV	2.5372	.04655	.90256	.041	.126	-.193	.251
PIB18REV	3.0372	.06243	1.21049	-.099	.126	-.854	.251
PIB19REV	3.0984	.05633	1.09223	-.048	.126	-.598	.251
PIB20REV	2.7021	.06472	1.25500	.211	.126	-1.032	.251
PIB21REV	3.1011	.06685	1.29631	-.145	.126	-1.072	.251
PIB22REV	3.1090	.06214	1.20502	-.082	.126	-.858	.251
PIB23REV	2.9495	.05497	1.06588	-.125	.126	-.478	.251
PIB24REV	2.3590	.04929	.95573	.315	.126	-.191	.251
PIB25REV	2.6436	.04263	.82663	-.223	.126	.247	.251
PIB26REV	3.2633	.06055	1.17409	-.186	.126	-.679	.251
PIB27REV	2.3324	.06011	1.16555	.628	.126	-.483	.251
PIB28REV	2.5957	.06439	1.24852	.289	.126	-.970	.251
PIB29REV	2.2420	.04511	.87480	.446	.126	.044	.251
PIB30REV	2.2952	.05968	1.15727	.610	.126	-.527	.251
PIB31REV	2.2553	.04979	.96539	.256	.126	-.766	.251
PIB32REV	2.9016	.06617	1.28308	.048	.126	-1.033	.251
PIB33REV	2.6915	.06292	1.22007	.227	.126	-.948	.251
PIB34REV	2.7899	.06327	1.22681	.119	.126	-.919	.251
PIB35REV	2.5160	.05598	1.08555	.223	.126	-.593	.251

PIB36REV	2.8936	.04836	.93772	-.196	.126	.123	.251
PIB37REV	2.6649	.05037	.97677	.057	.126	-.271	.251
PIB38REV	2.8271	.05037	.97675	.197	.126	.131	.251
PIB39REV	3.1410	.05161	1.00071	-.061	.126	-.260	.251
PIB40REV	2.7846	.04907	.95156	.125	.126	.057	.251

## APPENDIX 7.

### QUESTIONNAIRE COVER LETTER

Good day. My name is Muhammad Alnasiri. I am pursuing my PhD/doctorate degree in Management at Brighton University in the UK. My study is about Islamic banking. Part of my research is to find out what people think about Islamic banking in general. I have developed a questionnaire for this purpose. It consists of (...) statements for which you are kindly requested to give your opinion in all honesty. All the responses are confidential and will be aggregated in my thesis. Please remember, this is not about what is wrong or what is right. Rather, it is only about what people think. Please give your answer based on a scale from 1 to 5, where 1= strongly disagree, 2= disagree, 3=neutral, 4= agree, and 5= strongly agree. Thank you very much for your participation. If you have any questions you are invited to contact my supervisor Dr. Omar Moufakkir....

### PERSONAL INFORMATION

#### Q1.How old are you? (please write down your age IN NUMBER OF YEARS)

I am ..... Years old

#### Q2. What is your Gender?

Male 1  Female 0

#### Q3.What is your Educational Status?

- I hold a High school degree 1  
 I hold a Bachelor's degree 2  
 I hold a Master's degree 3  
 I hold a Doctorate degree 4

#### Q4.What Is Your Nationality

Kuwaiti = 1, 2=Lebanese, Oman =3, Jordan =4, Canada =5, Tunisia =6, Iraq =7, Egypt =8, USA=9, KSA =10, Palestenian= 11, Syria = 12, Baharain= 13, Qatar= 14, Albania= 15.

Non-Kuwaiti: 0 Please write down your country of origin here: .....

#### Q5. I am currently a customer of an Islamic bank **ACCOUNT TYPE** 1=IB; 2=CB; 3= Both

Yes 1  No 0

#### Q6. I have an account in both Islamic and conventional bank

Yes 1  No 0

#### Q7. What is your monthly individual salary?

Less than KD 500 1  KD 500 – KD 1,000 2  KD 1,001 – KD 1,500 3  
 KD 1,501 – KD 2,000 4  Above KD 2,000 5

Please note that the survey is open to all the participants.

All THE STATEMENTS below are designed using a 5-point Likert scale, WHERE 1= strongly disagree AND 5= strongly agree. PLEASE CHECK YOUR BEST OPTION:

- SD = Strongly Disagree      1
- D = Disagree                2
- N = Neither agree nor disagree / neutral (please use this sparingly) 3
- A = Agree                 4
- SA = Strongly Agree        5

Please select one OPTION for each item statement.

	<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>
	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
<b>PERCEPTIONS ABOUT ISLAMIC BANKING PIB1</b>	<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>
1. In my opinion, there is no difference between what we call Islamic banks and conventional banks.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Islamic Banks are just mocking us.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Islamic banks financing is nothing but a matter of twisting documents to appear as a formal transaction.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Islamic banks manipulate terms and finance products for profit purposes.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Islamic banks charge more profits than conventional banks.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Automated and accounting systems in Islamic banks are a mere simulation of conventional banking systems.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Islamic banks charge customers fees and profits that are unknown.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Islamic banks do not properly apply the correct Islamic concepts and standards.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Employees of Islamic banks are from conventional banking backgrounds.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. Islamic banks do not observe the purposes of Sharia.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Islamic banks do not take into account the interests of the poor.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. Islamic banks do not contribute to economic development.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13. The existing financial system is essentially a capitalist regime which is based on interest (Riba), and Islamic banks are a part of this system through their dealings within it.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14. Islamic banks deal with central banks that in turn deal with the usurious U.S. Federal Reserve Bank.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15. Islamic banks have accounts with conventional banks.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16. Islamic banks sometimes deal with conventional banks.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>

17. Islamic banks use the global interest rate.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18. Islamic banks help people to fall in debt.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19. Islamic banks are too lenient when providing consumer financing.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20. Islamic banks do not provide interest free loans (Qard Hassan).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21. Riba (usury) is imbedded within all banking activities, Islamic and others.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
22. Riba (usury) defined in the old days is NOT the same as today's practice.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
23. Islamic banks do not provide financing to S.M.E.s, but seek to attract the largest amount of capital.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
24. Islamic banks have sometimes contributed to the rise of property and commodity prices due to their speculative behavior in the market.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
25. Islamic banks are combining and merging a number of contracts into a single deal for the purpose of providing finance.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
26. Islamic banks charge fees when the customer is late in paying his installments.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
27. I think it is wrong that some Islamic banks are owned by conventional banks-	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
28. I think it is wrong that some conventional banks open Islamic branches.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
29. Islamic banks compete with businesses.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
30. Customers are unaware about the reality of the signed contracts.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
31. Islamic banks' contracts are unamendable, therefore the customer does not have the right to negotiate, modify or change the terms of the contract.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
32. Tawarruq in banks is just a trick to get cash.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
33. Islamic banks claim that they grant credit cards on the basis of "Qard Hassan" while they are actually receiving interest (the so called fees).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>
34. The fees calculated on the Islamic bank's credit card are just a trick to take the same interest rate charged by conventional banks.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
35 Profits distributed by Islamic Banks are usually small, compared to the profits actually earned by the Bank.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
36. Islamic banks commit themselves to pay a fixed profit amount on investment accounts.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
37. Islamic banks do not clarify the areas of investment of these funds.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
38. Islamic banks are offering prizes on investment accounts, whereby the winner's name is determined by a draw.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
39. The accounts of customers in Islamic banks are subject to loss, contrary to their conventional counterparts.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
40. Some Islamic banks set a prefixed confirmed profit when they apply the Agency contract.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<b>ATTITUDES TOWARDS ISLAMIC BANKING (A51...</b>	<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>
51. I trust Islamic banking	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
52. I think Islamic banks have a good reputation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
53. I recommend Islamic banking to family and friends	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
54. I don't believe in Islamic banking	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
55. I have an ambivalent feeling about Islamic banking	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
56. I see a strong prospect of Islamic banking	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
57. I think positive about Islamic banking	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
58. I am willing to use Islamic banks in the future	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
59. I think that in the future more people will buy Islamic banking products and services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
60. Islamic banking is attractive to me because it conforms with my religious beliefs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
61. Islamic banking is attractive to me because Islamic banks follow strict Sharia requirements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
62. Islamic banks deliver a better service to customers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
63. Do you agree that if more branches of Islamic banking institutions open up, more people will utilize the	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



services provided by these banks?

64. Do you agree that the granting of interest-free loans by Islamic banks is considered a contribution on the part of the bank to help the community in a just manner?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
65. Do you agree that the elimination of pre-determined interest rates charged on loans, and financing on the basis of profit-loss-sharing between the bank and the borrower will be advantageous to the borrower?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
66. The definition of Riba needs to be represented correctly	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
67. I am using Islamic banking regardless of the issues related to it because as a Muslim I think that conventional banking is haram	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
68. I think it is religiously wrong that Muslims do not use Islamic banking	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>RELIGIOSITY (R69...</b>	<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>
69. I always perform all of my prayers on time	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
70. Given access, I perform all of my prayers in the mosque regularly	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
71. I perform the obligatory zakat (almsgiving)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
72. I fast the whole month of Ramadan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
73. Performing Hajj is one of my main priorities in my life	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
74. In my personal life, religion plays a very important role	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
75. My religion helps me to have a better life	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

76. The Prophet Mohammed is the role model for me	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
77. The Duaa (supplication) supports Me	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
78. I believe that Allah (God) helps me	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
79. I read the Holy Quran regularly	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
80. I never do haram (forbidden) things	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
81. I always try to avoid minor sins	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
82. Its okay to miss Friday prayer sometimes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
83. It is acceptable to eat any meat in countries where the main religion is not Islam	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
84. Sometimes, I do sit with friends who drink alcohol, but I don't drink it myself	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
85. I regularly contribute to charity/sadaqah	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
86. I believe the hijab (scarf) is obligatory for all women	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
87. I only eat halal meat/chicken (slaughtered in the Islamic way)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
88. It is acceptable to swim with mixed genders	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
89. I am a very religious person	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
90. I think that All Islamic thought leaders (Ulama'a, and Fuqaha'a) should be respected and followed	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
91. Sharia studies can positively influence humanity, if implemented properly	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
92. All correct Islamic teachings and Fatwa's should be implemented, at any and all costs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
93. The time of Prophet Mohammad and his Sahaba was the best time	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

94. Living on the ways of Prophet Mohmmad and Sahaba is the safest way for Jannah	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
95. All Halal is good, and All Haram is not good	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
96. Barakah is associated with Halal	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
97. There are multiple levels of Haram, not all Haram are the same	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
98. I am knowledgeable about Sharia and Islamic studies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
99. I wish to read/be more knowledgeable about Sharia and Islamic studies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>KNOWLEDGE ABOUT ISLAMIC BANKING PRODUCTS (K100....</b>	1=not at all familiar	2	3	4	5=very much familiar
100. To what extent are you familiar with Mudarabah accounts?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
101. To what extent are you familiar with Musharaka Financing?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
102. To what extent are you familiar with Tawarruk?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
103. To what extent are you familiar with Ijarah (Muntahia bi'tamalluk)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
104. In general, to what extent are you familiar with Islamic banking products?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>PURCHASE BAHAVIOR (PB105...</b>	<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>
105. I used to be an Islamic bank customer, but I switched to a conventional bank	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
107. I will never use Islamic banking	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
108. I will use Islamic banking in the future	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
109. I make use of both Islamic banks and traditional banks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
110. I am using traditional banks but I intend to switch to Islamic banks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
111. I am using Islamic banks but I intend to switch to conventional banks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
112. I will continue to use Islamic banking products & services in the future	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
113. I am currently a customer of an Islamic bank	<input type="checkbox"/> Yes			<input type="checkbox"/> No	

114. I have never used Islamic banking	<input type="checkbox"/> Yes	<input type="checkbox"/> No
115. I used Islamic banking before but I changed to conventional banking	<input type="checkbox"/> Yes	<input type="checkbox"/> No

THANK YOU FOR YOUR TIME AND PARTICIPATION!

APPENDIX 8: The qualitative sample.

#	Name	Age group	Gender	Occupation	Islamic	Conventional	Both
1	Maryam	40-45	F	Business Owner	X		
2	Anas	20-25	M	Engineer	X		
3	Ayman	45-50	M	Judge	X		
4	Marzouq	45-50	M	Engineer	X		
5	Ahmad	40-45	M	Consultant	X		
6	Yacoup	35-40	M	Professor	X		
7	Anwar	45-50	M	Officer	X		
8	Abdulla	45-50	M	Manager	X		
9	Bader	40-45	M	Consultant			X
10	Faiqa	65-70	F	Retired			X
11	Faisal	35-40	M	Manager		X	
12	Mohammad	35-40	M	Medical Doctor		X	
13	Ali	50-55	M	Enterprenuer			X
14	Abdulla A.	35-40	M	Lawyer		X	
15	Abdulmohsen	30-35	M	Manager			X
16	Dalal	45-50	F	Gov. Employee			X
17	Zeynep	30-35	F	Dentist			X
18	Danah	35-40	F	Medical Doctor		X	
19	Meshari	45-50	M	Media Producer			X
20	Salem	40-45	M	Manager			X
21	Noor	35-40	F	Media Producer	X		
22	Mohamed K.	35-40	M	Lawyer	X		
23	Ahmad H.	40-45	M	Manager		X	
24	Abdulla B.	35-40	M	Athlete		X	
25	Bader A.	30-35	M	Engineer			X
26	Musab	30-35	M	Lawyer			X
27	Khalid	45-50	M	Gov. Employee		X	
28	Meshari A.	45-50	M	Retired			X
29	Fares	40-45	M	Professor			X
30	Meshari K.	45-50	M	Accountant		X	
31	Fahad	25-30	M	Engineer		X	
32	Mansour	35-40	M	Medical Doctor			X
33	Yousef	30-35	M	Investment officer		X	
34	Khalid A.	35-40	M	Banker	X		
35	Ahmad S.	35-40	M	Banker		X	
36	Imad	50-55	M	Banker		X	
37	Raed	45-50	M	Business Owner			X
38	Samah	40-45	F	Teacher		X	
39	Lujain	35-40	F	Manager		X	
40	Jumana	25-30	F	HR Officer		X	
41	Hessa	25-30	F	Teacher			X
42	Abdulla M.	65-70	M	Retired	X		
43	Hussain	20-25	M	Fresh grad		X	
44	Nawaf	20-25	M	Gov. Employee		X	
45	Layla	20-25	F	Engineer	X		