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Universitat Autònoma de Barcelona

Doctoral Dissertation

**Behavioural Finance in Islamic Finance,
A new Approach**

Author

Abdulkader Kaakeh

Advisors

Stefan Van-Hemmen

M.Kabir Hassan

Department of Business, School of Economics and Business
International Doctorate in Entrepreneurship and Management

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Abstract

This Dissertation focusses on the Islamic Behavioural finance from the perspective of Consumer behaviour and how Salespersons interacts with this behaviour, it tests the factors affecting the attitude and intention of consumers toward Islamic finance in two different countries, it also tests the factors affecting the self-efficacy and performance of Salespersons in Islamic banks including customer demandingness. The first chapter summarises the literature of behavioural finance and Islamic Behavioural finance and identifies the gaps and aims of the thesis. The second chapter uses a theoretical model based on the theory of reasoned actions to investigate the effects of attitude, religious motivation, awareness, and service and pricing, on the intention to use Islamic banking among the Muslim minority in Barcelona - Spain. It also determines the profile of a potential Islamic banking customer among this minority. The empirical part uses survey-based questions, factor analysis and logit regression to analyse the data. The results show that attitude, religious motivation and awareness are all important factors affecting the intention to use Islamic banking. The study also highlights that the profile of a potential Islamic banking customer is a member of the main components of the Muslim community (Spanish, Moroccan, and Pakistani Muslims), male, did not reach university degree in his education. The research shows the potential for Islamic banks in the Spanish market, and the possibility of raising awareness about Islamic banking. It also shows that Islamic banking in Spain could help the Muslim minority to participate effectively in financial activities, thus leveraging their capacity to integrate into the community. The chapter also highlights the importance of empowering the women in this minority and could help society by encouraging off-banking money to flow into the financial sector. The research is the first empirical attempt to test the factors affecting the intention among Muslims in Barcelona - Spain to deal with Islamic banking. The study also highlights the importance of Islamic finance for Muslim minorities as a method to support their religious identity.

The third chapter investigates the effects of the following factors: image; awareness; Shariah compliance and individualism, on the attitude and intention of customers to use Islamic banking among Bank customers in UAE, and the mediating role of attitude in that model, using a theoretical model based on the Multi-Attribute Attitude Model, the theory of reasoned actions and the theory of planned behaviour. The research will focus on surveying bank customers living in UAE. Structural equation modelling will be used to analyse the data. Results show that attitude and awareness affect intention directly, while image, awareness, Shariah compliance and individualism affect attitude directly and affect intention indirectly mediated by attitude. The chapter resulted in showing the importance of Shariah compliance of banks, the individualism of customers and image of the bank on attitude and intention and provides suggestions for banks to benefit from these aspects to widen their customer base. The study provides an insight into individuals' decision-making and the importance of a social approach by banks when advertising. The final chapter will investigate the relationship between the factors: organisation image, awareness effort, customer demandingness, self-efficacy and self-rated performance among salespersons of Islamic banking products in the UAE and the mediating role of awareness effort and self-efficacy in the model, using a theoretical model based on the social cognitive theory. The chapter focuses on surveying salespersons of Islamic banking products in a mixed bank (a conventional bank that has an Islamic department) in the UAE. The researcher uses partial least squares to analyse the data. The results show that customer demandingness positively affects awareness effort at the sales level, awareness effort positively affects self-efficacy, self-efficacy positively affects performance and image positively affects salespersons' self-efficacy and performance. Furthermore, the chapter highlights the mediating role of awareness effort and self-efficacy in the model. The study shows the importance of awareness effort to achieve better performance as well

as the importance of addressing the customer requirements in the environment and the role of the organisation image in enforcing salespersons' self-efficacy and performance.

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Introduction

Behavioural finance is the new approach to finance; it tries to complement the practical and traditional theories of finance by considering the behavioural aspects of the market player when this player is making a decision. Behavioural finance takes into consideration every person's process of gathering and analysing data, and how the produced information out of this data process affects his decision, in order to understand and forecast the consequences of these psychological interferences on the financial markets, and to try to enhance the decision-making process for the benefits of the markets (Olsen, 1998). As part of the development of behavioural finance, the Islamic behavioural finance saw the light at the end of the 1980s. Studies of Islamic behavioural finance mainly focussed on trying to explain the behaviour of investors and customers towards their decision-making to deal with Islamic finance, Islamic Stock Market, and other Islamic products and technologies. Studies tried to understand the level of influence that psychology has on investor's intentions. Some studies were done to understand the general effect of behaviour towards Islamic finance. The first chapter provides an insight into the studies done before about behavioural finance, Islamic finance and Islamic behavioural finance.

Few previous research refers to "attitude", "religious motivation" and "awareness" as the main factors that explain a customer's intention to deal with Islamic banking (Sabirzyanov, 2016). Previous studies also found "prices and services" and demographic factors to be important influences on the intention to use Islamic banking (M. Bizri, 2014).

The first chapter will provide an extended introduction to behavioural finance, Islamic finance and Islamic behavioural finance. It will discuss the field of this thesis and the way

forward. The second chapter will test the factors affecting the intentions of Muslims in Barcelona - Spain to deal with Islamic banking, by adopting a theoretical framework derived from the theory of reasoned actions (TRA) introduced by Fishbein and Ajzen (1975). In this research, the original framework is modified by adding “religious motivation”, “awareness” and “service and pricing”. Further, the profile of a potential customer of Islamic banking is explored through the demographic factors of the participants.

Although Islamic behavioural finance studies started at the end of the 1980s, few studies have mentioned attitude as one of the factors affecting intention and fewer have tried to understand the variables that influence the attitude of customers towards Islamic banking. (Md. Taib, Ramayah and Abdul Razak, 2008; Md Husin and Ab Rahman, 2016; Amin *et al.*, 2017)

The third chapter will examine the variables that affect the attitude of customers towards Islamic banking in UAE and its relationship with attitude and intention, adopting a theoretical framework derived from the Multi-Attribute Attitude Model, the theory of planned behaviour and the theory of reasoned actions. The model here is modified to include only attitude plus a few variables affecting attitude.

Lastly, studies explored sales in banking from a behavioural perspective are few, and none have explored the effect of customer demandingness and the awareness effort of salespersons on their self-efficacy and performance. The final chapter will examine the relationship between customer demandingness, salespersons’ awareness effort, self-efficacy and self-assessed performance in selling Islamic products, adopting a theoretical model derived from the social cognitive theory. The model is modified to include all the mentioned factors and the relationships between them. The research is conducted on

salespersons who sell Islamic bank products in UAE. This chapter complements the thesis with testing how the consumer behaviour affects the behaviour of bank personnel.

The above-mentioned chapters are meant to cover a small but important part of the study of consumer and sales behaviours in Islamic banking and try to add some values to the current literature.

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Chapter 1: A Contemporary Review of Islamic Behavioural Finance

Abstract

Purpose - This chapter provides a revision of the studies on behavioural finance, Islamic finance and Islamic behavioural finance, especially the individual behaviour towards Islamic finance and Islamic organisational behaviour, also it underlines the gaps and sets the aims of the thesis.

Design/methodology/approach - By reviewing the literature from the last 30 years which focuses on individual behaviour toward Islamic finance, this chapter concentrates on Islamic behavioural finance from the individuals and organisations' points of view

Findings - The literature showed the importance of religion and awareness in the individual decision making, and the difficulties the research is facing from a methodological point of view.

Research limitations/implications - The chapter summarises main concepts of behavioural finance and Islamic finance without going into details. Also, it covers Islamic behavioural finance papers in the last 30 years that covers individuals' behaviour towards Islamic finance and Islamic organisational behaviour. All other papers are not included.

Practical implications - This paper highlights the few gaps and sets the aims of the thesis.

Keywords: Islamic banking; Islamic behavioural finance, behavioural finance, religion, customer behaviour.

1. Introduction

Islamic banking was introduced in the early 1970s as a religiously approved interest-free alternative to the current conventional banking, which depends mainly on interest in all of its financial transactions and positioning itself as an owner of broader ethical and proper matters other than just the prohibited interest transactions. Today, after more than 40 years in business, lots of studies and academic papers have analysed the way these banks work, and they have tested their claims of different banking methods, their mechanisms, and their structure compared to conventional banking. EL-Hawary, Grais and Iqbal (2004) argued that the main concepts of Islamic banking of “risk sharing, Materiality, no exploitation, and no financing of sinful activities” are methodically dishonoured by modern Islamic banking practices. Ahmad (1993) and Yousef (2004) proved that the claim that Islamic banking offers a fundamentally different alternative to conventional banking is unproven by the data. El-Gamal (2006) and Zaman (2008) mentioned that: “It appears that no matter how the transactions are structured by the ‘Islamic Bank’, as long as these are made into “contract” documents, these are termed as Islamic.”

However, the Islamic banking industry was growing 50% faster than conventional banking and windswept the financial crisis much better than its other rivals.¹ The Islamic banking industry is \$2.4 trillion in asset size; it was growing at 10% per annum for the last five years, and it is expected to stay like this for the next five years reaching up to 3.24 trillion in 2020 (Iqbal, 2016).

It is evident that the need to study Islamic banking from a different angle becomes essential, other than studying the mechanisms of it to explain the reason behind the booming and growth of this industry. Hence, understanding the Islamic banking industry

¹ (A.R., 2013, <http://www.economist.com/blogs/schumpeter/2013/11/islamic-finance>)

from a behavioural finance point of view might give us a better perspective on this matter. This thesis aims to address empirically the effect of Islam on making the decision to deal with Islamic finance institutions. This will be prepared by focusing on factors affecting individuals' decision in Muslims communities to deal with Islamic finance in two different countries (Spain and the United Arab Emirates) and study the behaviour of salespersons in an Islamic Banks to shed light on how consumers behaviour affects the behaviour of salespersons. The first chapter aims to review the empirical literature on behavioural finance and Islamic finance in general and Islamic Behavioural finance in particular, and then it will focus on the gaps this literature has and highlights the shortcomings. Later, the chapter will discuss the aim of the thesis and its expected contribution and the case selection. The paper is structured as follows: Section 2 provides a brief review of the main concepts of behavioural finance, Section 3 discusses the principles and criticism of Islamic finance including most-common products. Section 4 discusses the literature on Islamic behavioural finance with a concentration on individual consumers' attitudes towards Islamic finance and Islamic organisational behaviour. Section 5 includes a discussion about the gaps in the literature, the aims of this thesis and case selection.

2. Literature review

Two important theories were introduced in the mid-1950s to explain the financial market and its behaviour. The first theory was the modern portfolio theory, which discussed the techniques to choose the most efficient investment portfolio to achieve the ultimate goal, to maximise profit and minimise risk. The other theory is the efficient market hypothesis, which talked about the independence of the financial markets and their ability to be effective, and the rationality of investors in choosing the financial instrument that maximises their profit based on the availability of full information (Misal, 2013).

Unfortunately, the financial crises that followed, which happened after these theories, such as the internet bubble and the crashes of share prices, showed that the rationally based theories were only explaining part of the financial behaviour and failed to explain a considerable chunk of it. Also, research proved later that portfolio managers are biased and their investment methodology usually follows the trend of prices in the market (MacCowan and Orr, 2008). The efficient market hypothesis was a great debatable point between its supporters and the new behavioural finance supporters throughout their journey trying to build a better foundation to analyse and explain the financial market behaviour (Godoi, Marcon, & DaSilva, 2005).

Researchers tried to find another approach that considers the psychological and emotional aspects of decision making to reach a consolidated theory that can explain the customer's behaviour in a financial market when the customer tries to build his portfolio. The following research announced by the late 1970s, the birth of the behavioural finance theory, was started from the study of Kahneman and Tversky (1979). In the last 30 years, behavioural finance became one of the most critical theories used to understand and interpret the behaviour of investors in making their investment decisions. It is still an emerging field (Kourtidis, Šević and Chatzoglou, 2011), but it has gotten a lot of attention from professionals and academic staff. The theory is still in its primary years and considered young. Lots of work is needed to build a framework to study behavioural matters in financial markets.

Behavioural finance is the new approach to finance; it tries to complement the practical and traditional theories of finance by considering the behavioural aspects of the market player when this player is making a decision. Behavioural finance takes into consideration every person's process of gathering and analysing data, and how the produced information out of this data process affects his decision, in order to understand and

forecast the consequences of these psychological interferences on the financial markets, and to try to enhance the decision-making process for the benefits of the markets (Olsen, 1998).

Behavioural finance challenges the market efficiency theory especially on the hypothesis that the prices of the market represent the characteristics of that market and any fluctuation in the short run will be adjusted for in the long term. Many articles showed irregularities which cannot be clarified by the traditional market theories, for instance, the price changes of stocks in the case of IPOs, stock splits, mergers and acquisitions of companies, and financial bubbles.

The increased number of irregularities and anomalies during the 80s and the 90s put the researchers and the standard financial theories to a challenge, as investors were showing illogical and irrational responses to these anomalies, showing overconfidence and fluctuations in their minds every time the investment information was presented to them differently. This suggested that the standard financial theories are at least not enough to explain the market behaviour (Olsen, 1998).

Media in the late 90s were focussing on the positive sides of technology stocks and on how the future will be for technology companies. This has led investors sometimes to make irrational investment decisions, and it helped in accelerating the internet bubble crash. These types of driven behaviours contradict with the main assumption of the efficient market hypothesis, i.e., the rational investor concept. Hence, the necessity to examine other human behaviour models are essential, to be in line with the previous practice in social sciences other than finance (Shiller, 2001).

3. Behavioural finance

behavioural finance was introduced through some central concepts and theories to try to explain how it challenges the traditional (standard) financial theories, the most famous

concepts are:

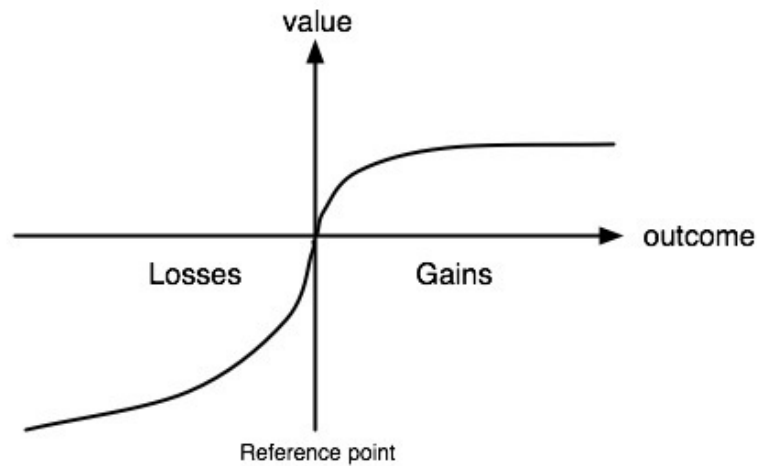
3.1 The Prospect Theory

After the failure of the expected utility theory to explain human behaviour repeatedly, Kahneman and Tversky came up with the prospect theory in 1979. It says that humans weigh the loss more than the gain. Hence, they tend to make decisions to pursue the perceived gain more than the perceived loss. They said that loss causes a more significant emotional impact than gain does. So, given the same choice but presenting it in two different ways, one with a perceived gain, the other with a perceived loss, the player will definitely choose the option with the perceived gain even if they are the same option in the end. So, if you offer a game with an end-result of providing \$25 to the player but with two options, the first is that you give the \$25 directly, the other is that he will win \$50 and will lose \$25, the player will choose the first option. Also, the assumptions of prospect theory mention that “Individuals are risk-averse for most gains, but risk seeking for most losses,” and to demonstrate that, they did the following experiment: They asked the players to choose between two lottery options. The first option was 25% probability to win \$3000, and the second option was 20% probability to win \$4000, structuring it as loss game. The results showed that 65% of the individuals chose the second option (4000, 20%), while in the case of a perceived gain, the results were different. They asked the players in the second game to choose between two options, a 100% probability to win \$3000 and an 80% probability to win \$4000 – here 80% of the players selected the first option (100%, 3000). The results of these games violated the expected utility theory, as $4000 \times 0.8 > 3000 \times 1$, and in the case of loss, $4000 \times .2 > 3000 \times .25\%$, so as mentioned, the individuals are risk-takers in the case of loss, and risk-averse in the case of gain.

The other main hypothesis of prospect theory is the value function (Kahneman and Tversky, 1979). The value function introduced the reference point. The reference point is

a psychological point set by the subjective beliefs and impressions of individuals. Here, every person determines his point of reference for comparison purposes. For instance, a fixed amount of money represents a wealth threshold, like the one-million-dollar point, and for the investors under this reference point, they will be risk-takers; they will have more appetite for risk to exceed their reference point. While for individuals above this point, but still consider it their reference point, individuals will be risk-averse and cautious (Kahneman and Tversky, 1979), and this may be an important aspect in understanding the patronage factors of dealing with a bank, as rational customers have the pricing of their current bank as a reference point when shopping for a new bank.

These discoveries helped with explaining some of the investor behaviours in decision making, mainly the phenomenon called “Loss Aversion” which will be discussed further in the following section. Likewise, regret is another concept delivered by the prospect theory.



3.1.1 Loss Aversion

Tversky and Kahneman (1991) wanted to formulate a theory that can explain the behaviour of a decision maker in the case of uncertainty. Their value function slope demonstrates the unevenness in individuals' valuation of gains and losses. Their

empirical experiments showed that people weighed loss as double the gain, so an individual will weigh the pain of losing \$1 as twice as the pleasure of gaining \$1. The prospect theory can explain this, the value function is sloping upward when it is under the investors' reference point. It also mentioned that the investors will be risk-averse in the cases of gain and will suffer from myopic sight.

A previous example to Tversky and Kahneman's (1991) loss aversion was demonstrated by Samuelson (1963). He offered a friend a bet of 50/50, in the case of winning he will get \$200, and in the case of losing he will lose \$100. This friend declined the bet and did not want to take it. But from a mathematical point of view, if the incidents are independent, this friend should have made 100 of these bets, getting him virtually around \$5000. These kinds of reactions to these incidents are called by Benartzi and Thaler (1995) as "myopic loss aversion." It is a mix of a higher sensitivity to loss than others and a leaning toward assessing results frequently. Investors have a myopic behaviour or are short-sighted when they ignore all probabilities that might happen after this current single-period plan. Hence, most investors project for one holding period (Bodie *et al.*, 2014).

The phenomenon of myopic loss aversion consists of two concepts: The mentioned loss aversion concept and the mental accounting concept. Loss aversion is the tendency of people to weigh the damages, harms, and losses way more than the gains; the percentage is 2:1 as per Kahneman and Tversky (1979). Benartzi and Thaler (1995) discussed in their paper the solution of the equity premium puzzle by Mehra and Prescott (1985). The equity puzzle is the attempt to explain the premium on some equities that are historically much riskier than other equities like the T-bills. The difference in the premium is much higher and is to be explained only by the risk factors, thus, the premium here is considered as an incentive for investors to invest in stocks rather than the safer T-

Bills. From a loss aversion point of view, investors tend to hold on to the loss-making stocks and sell the winning shares too quickly. Shefrin and Statman (1984) named this incident as the disposition effect. Investors review these stocks on an individual basis. The loss aversion will get them to sell the winning volatile stocks too early, putting pressure on the stock price and lowering it below its real value, while the same loss aversion factor makes these investors hold on to the losing stocks waiting for them to rebound, which puts a higher mark up to a stock price above the real value of the stock (Scott, Stumpp and Xu, 1999).

Another factor worth mentioning here in detail, is the way the game is described, the framing of the offer (Tversky, Slovic and Kahneman, 1990). This is what is also called mental accounting and will be discussed in the next section:

3.2 *Mental accounting*

Mental Accounting is the action of people framing or placing events in different treatment baskets, based on mental status and it happens due to irrational merit (Shiller, 2001). While a scenario involves selling a Stock at a loss and using the fund to buy a winning Stock is framed as closing an account at a loss, it has been long debated that this is very difficult to do, i.e., closing a mental account at a loss (Thaler and Johnson, 1990).

3.3 *Self-control*

While mental accounting can be a problem, it has its benefits to solve other matters in a person's mind. One of the main issues that can be resolved by mental accounting is a lack of self-control. Some savers establish special savings accounts with a mental status that these accounts are "untouchable" due to its unique purpose. Hence, they can control their spending urges (Thaler and Shefrin, 1981).

The main problem here is that those investors lack enough self-control to close the

losing accounts and avoid keeping them as they know that it is irrational to do so. Another example is the retirees who live on their portfolios built by their savings. They suffer from an “over living their assets vs getting an immediate satisfaction” dilemma, and they fear to lose their self-control and spend more than planned to get that satisfaction (Shefrin, 2002).

3.4 *Regret*

People by nature tend to regret making errors even if they are small ones. It comes as a feeling of sorrow about a bad outcome from a decision that the person made earlier. If a person wants to avoid regret, sometimes he ends up not making the decision at all or making irrational decisions (Thaler, 1980). Cognitive dissonance is another phenomenon that can be interpreted by the regret theory. It is mental stress that people have when they are confronted with facts that contradict their beliefs and proof that those beliefs are wrong. It can be categorised as a type of regret, the regret for wrong beliefs and all the decisions made because of these beliefs. Festinger (1962) theory states that people tend to take irrational actions to avoid cognitive dissonance, like avoiding new information about their beliefs or maintain a loophole argument to protect their beliefs. Avoiding new information that contradicts with one’s belief and developing protective arguments can assist in explaining the herd behaviour experienced in Islamic finance.

3.5 *Heuristics*

Heuristics is the process that people follow to learn by themselves using the method of trial and error, which leads them to develop the rule of thumb. The problem here is that heuristics may lead to other errors (Shefrin, 2002). It can be defined as the “use of experience and practical efforts to answer questions or to improve performance” as the amount of information is increasing, and the procedures are getting complicated for

investors in the financial industry in general. The heuristics process is unavoidable for most of them but not always fruitful (Fromlet, 2001). Heuristics may be an excellent concept to explain the financial choice of investors, and why they sometimes make irrational decisions, which contradicts with the idea of fully informed market players. As the new information flows, different investors interpret this information differently based on their heuristic rules, which might be right or wrong, generating a new learning curve and making them reconsider their heuristic rules.

Forms of heuristics are many, with one of them being herd behaviour, and it is the case when investors tend to follow the majority of individuals. The main line for them in making their financial decisions, for example in dealing with a specific type of banking just because there is lots of demand on it, and this may cause people to make wrong decisions by just following the market trend without any rationality in that decision. Herd behaviour is discussed more in the following section.

3.6 *Herd behaviour*

A fundamental observation about societies is that individuals who interact on a regular basis have a similar way of thinking. It is crucial to understand the cause of this match in thought, to assess the reasonability behind the theories and judge the credibility of speculative fluctuations theory, which claims that a fluctuation in price is due to flawed thinking. Another reason why people think alike or react the same way is when they are facing the same information in the same situation – like dealing with a specific bank or not. Community influence has a significant effect on the individual assessment. When an individual's answer is different from the group answer, he tends to change his response to go with the majority, thinking that “I can't be right, and all those people are wrong”! They realise that they have reacted differently to the same information that the majority of people got and responded to in a specific way. In everyday actions, we learn that the

majority can't be wrong if they acted the same way to something (Shiller, 2001). This is what is called social pressure, and it has a considerable influence on our decisions.

A life example of herd behaviour is fashion. While an excellent example of herd behaviour in the financial world is the trending financial products linked to speculative bubbles and crashes, herd behaviour is the most recognised psychological phenomenon in the financial world. It has an influence on daily transactions up to repetitive financial crises. It can be a central player in marketing for financial trends, but also, it may be the main player in constructing bubbles as investors tend to notice market winners especially when that act of winning gets repeated more than once. There are two types of herd behaviour: voluntary and enforced. For example, some investors may feel that a stock is under-priced, but does not do the act of investing in it, as they think that they don't want to fight the herd, or the herd knows better, or they lack sufficient analytical tools that the herd has. This is called forced herd behaviour, and it happens when investors obey the herd, not by their option, but to stay away from unnoticed disappointments (Fromlet, 2001).

Rationality is not a measure here, as sometimes rational consumers can be part of the herd behaviour when they consider other people's opinions, even when they realise that everyone is lost in the mainstream. Their behaviour, even though it is rational on an individual level, creates an irrational stream behaviour and creates instabilities in the market. Thaler (2005) argued that the "noise trading theory" is derived from the act of short-term investors affecting the market more than the long-term investors. Those investors act on the noise as if this noise were information that gives them an advantage.

Herd behaviour depends very much on word of mouth, as people trust the media less than they trust their family members, friends, and workmates. The media in all of its channels, TV, newspapers, and radio, has a high capability of distributing ideas, but it

still lacks the same ability in creating as much action. In a research study, when people were asked what is the main thing that drew their attention to business that they recently invested in, only 6% mentioned that it is periodicals and newspapers (Pound and Shiller, 1986). The faith that market prices reflect the fair value of the market because it consists of the sum of all investor's valuations may be inaccurate. Investors may choose not to spend any time or effort in assessing the stocks and avoid any independent influence on the market, which might lead to herd behaviour and it affects the pricing of the market up or down (Shiller, 2001).

3.7 Overconfidence and over & under reaction

The central behavioural phenomenon and perhaps the most important outcome of a long series of psychological studies aimed to understand the market irregularities is overconfidence. People exaggerate in trusting their talents and have a superficial optimism about the results taking into consideration that they can't control these results. When mixing overconfidence with optimism, people get a sense of an overestimation of their skills and knowledge, an underestimation to risks, and an overstated feeling of the ability to control the outcome, which leads to irrational decisions and illogical financial decisions. Overconfidence starts as confidence, the more the confidence, the more the risk of overconfidence. This appears more in areas where people are not very knowledgeable, as this confidence is not linked to an actual education (De Bondt and Thaler, 1995).

The relationship worth mentioning here is the relation between overconfidence and competence. Managers who believe that they are experts tend to overestimate the likelihood of success (March and Shapira, 1987). People tend to show overreaction when faced with dramatic or unexpected news (De Bondt and Thaler, 1985). Ross (1987) mentioned that high overconfidence is linked to a bigger difficulty in making adequate

allowances for the doubt in a person's point of view. Kahneman and Tversky (1974) demonstrated that people tend to classify events as typical or characteristic of a well-known category, and based on this categorisation, they build estimates to overemphasise the importance of their classification, ignoring the evidence that points differently. The main result of overconfidence is people finding patterns in truly random data.

3.8 *Anchoring*

It refers to the process of decision making based on a quantitative valuation, where these valuations are affected by personal suggestions. Individuals have a reference point for each financial decision (anchors), which they keep comparing to the current scenario with these points, and when they get the new information, they underreact and insufficiently move this anchor point based on the news acquired. Anchoring is a phenomenon where people learn to place emphasis on the current scenarios and ignore the trend history.

Prices in non-mature markets are mostly speculative and ambiguous, even matured ones, and it is hard to provide what should be the value of the Dow Jones Industrial Average. Hence, previous prices and competitors' prices play a major role in determining today's prices and can be used as anchors (Shiller, 2001). Investors tend to anchor the changes in an investment to the change in other investments in the market, and the ratios of earnings in one company can be anchored to other companies' earnings. This type of anchoring explains the group movement of individual investment prices (Shiller, 1989).

It also can explain why companies in different businesses but located in the same geographic area had a leaning more toward parallel price shifts than companies in a similar business but located in a different geographic area, contradicting the anticipation that the industry should drive the price, not the location (Griffin and Karolyi, 1998).

These central concepts of behavioural finance did not count for the effect of religious beliefs in making decisions. Different theories were introduced later trying to explain the individual behaviour when affected by religiosity (Hirschman, 1981; McDaniel and Burnett, 1990) . Most of these studies covered the Catholicism and Protestantism effects in the west world (Delener, 1994; Sood and Nasu, 1995; Essoo and Dibb, 2004; Shyan Fam, Waller and Zafer Erdogan, 2004; Cohen and Hill, 2007; Mokhlis, 2009; Choi, Kale and Shin, 2010; Benjamin, Choi and Fisher, 2016; Klein, Turk and Weill, 2017). While the Catholicism and Protestantism received plenty of attention, the effect of Islam on decision-making among Muslims started to emerge in the late 90's. Even though it has been more than 20 years since the first study of Islamic behavioural finance, the field is still understudied, and multiple aspects of it are still uncovered. (Gait and Worthington, 2008). The main Islamic finance principals and criticisms are discussed to highlight the need to focus on studying Islamic finance from a behavioural perspective:

4. Islamic Banking and Finance

4.1 Introduction

The first actual financial institution born on the concept of interest-free under the framework of Islamic banking was established in Egypt, in a small city called Mit Ghamr, in 1963 but did not last for a long time and it closed in 1967. This financial institution worked on the principle of savings accounts and worked on profit and risk sharing (Ariff, 1988; Siddiqui, 2001). Later in the early 70s, Islamic banking witnessed a significant push by the birth of the Islamic Development Bank (IDB) in 1975, founded by the Organisation of Islamic Cooperation; it was considered the true birth of the current phase of Islamic banking²

² <https://www.isdb.org>

After that, many Islamic banks started to appear in different countries, in Muslim and later in non-Muslim countries. Privately owned banks began with the establishment of Dubai Islamic bank in 1975. While The Islamic Finance House in Luxembourg started its operations in 1978, this was the first try to establish an Islamic bank in non-Muslim countries (Ariff, 1988), and later in the early 80s, the first Islamic insurance company (Takaful) was established in Luxemburg in 1983 (Derbel, Bouraoui and Dammak, 2011). Islamic banking became a great hit to the point that lots of traditional known commercial banks started Islamic windows (an Islamic department offers Islamic banking products in a conventional bank) such as HSBC, Merrill Lynch, Standard Chartered...etc. (Khan, 2000). The Islamic banking system became the only system in some Muslim countries like Iran and Sudan (Sundararajan and Errico, 2002).

With the development of the Markets, Islamic financial Institutions developed to cover all of the legal aspects and came in different entities to fulfil the demand. Islamic financial institutions are now in the form of commercial and investment banks (which have different forms like Islamic banks, conventional banks with an Islamic window, Islamic banking subsidiaries), investment and financial companies, Insurance (Takaful) companies and cooperation. Since 1975 till today, Islamic banking grew from one local bank in a country to more than 300 Islamic financial institutions in 75 countries around the world (El-Qorchi, 2005). The Islamic banking industry is growing 50% faster than conventional banking and windswept the financial crisis much better than its other rivals(Iqbal, 2016). As mentioned in the introduction, Islamic banking industry is \$2.4 trillion in asset size; it was growing at 10% per annum for the last five years, and it is expected to stay like this for the next five years reaching up to 3.24 trillion in 2020 (Iqbal, 2016).

4.2 *Characteristics of Islamic Banking*

Previous literature like (Mirakhor, 2000; Warde, 2000; Siddiqui, 2001; Naqvi, 2003; Haron and Kamaruddin, 2005; Derbel, Bouraoui and Dammak, 2011) highlighted the following features of Islamic finance and financial institutions:

- 1- It is an interest-free industry. Interest, which is called “Riba”, is prohibited in Islamic banking. All contracts and transactions start by lending money and paying back that money with a surplus are not allowed, as money does not generate money by itself. It is not a commodity, and time does not generate money out of a loan, which is the ideal method of conventional banking. This prohibition came from the Islamic Jurisprudence (Islamic Law) which is derived from the Holy Quran (Islam Bible) and the orders of the Prophet of Islam. Interest is not allowed in any form whether it is simple or compound, neither high nor low rates.
- 2- Islamic banking is prohibited from investing and dealing in several activities which are considered unethical in Islamic, such as gambling, arms, and alcohol, and they are not supported by the system.
- 3- Forbidden of uncertainty, ambiguity, and exploitation, all contracts and conditions have to be clear for all involved parties.
- 4- Harmfulness to any or all of the parties in the transaction is forbidden.
- 5- Money generation can happen only through trade and legitimate investments in assets and commodities. This is a result of the above conditions, as money cannot be generated through interest. It has to come from somewhere else, but it can come from production too. Many Islamic financial tools and contracts have been developed to comply with these conditions, like Musharakah and Mudaraba for productive purposes and Murabaha for trading purposes. All these contracts must involve an

underlying commodity in each transaction.

6- Risk/ profit sharing concept: The parties involved in the transaction have to bear the risk underlined in the transaction in a percentage equal to their contribution to the capital percent, while for profit sharing, they have the right to negotiate on the percentage of profit sharing as sometimes one of them is more of an expert in the field than the others, and he is putting forth more effort. Hence, he might be entitled to a higher portion of the profit provided that all parties agreed to this.

4.3 *Key Islamic Contracts and Financial Tools*

The main rule of Islamic finance as mentioned is the prohibition of interest in all its formalities, ways, and methods. Hence, a person (or entity) cannot lend money to someone else and expect to benefit from that in any way. This created a challenge for Islamic banks to go back to the main trading and cooperation contracts to build new ways of money making tools based on trading and partnerships between a bank and a customer to share the risk and the profit generated from that transaction. As a result of these conditions, Islamic banking experts developed many financing and partnership contracts and techniques to help them copy most of the conventional banking transactions without breaking any Islamic Rules (Derbel, Bouraoui and Dammak, 2011). the main four contracts of Islamic finance are discussed:

4.3.1 *Murabaha*

It is by definition: A cost plus profit sale. The seller here is obligated to inform the buyer of the cost he has paid for the goods, and then he can add a profit margin or mark-up on that cost and sell it to the buyer. This kind of sale has to include an honest declaration of the cost. For distributing the roles in Islamic banking, usually the bank will be the seller, and the customer will be the buyer. Murabaha is a very popular way of financing in the

Islamic banking industry. In the early stages of Islamic banking, they used only the Murabaha concept to finance most of the goods and the commodities, till today, it is widely used for the finance of vehicles, houses, goods, and for trade finance (Hanif, 2011).

4.3.2 *Mudaraba*

It is a partnership contract between two parties. One of them provides the funding (fund provider), and the other provides the know-how (the expert) into this partnership. They should have a profit-sharing agreement before they start, so if their transactions made any profit, they could share it based on their pre-agreed rates, but if the transaction made a loss, the fund owner would bear all the loss and the expert will lose his effort only. The expert is responsible for investing the funds in a limited or unlimited list of activities based on his expertise, and he manages this investment for an agreed period of time. Mudaraba is mainly used in Islamic banking to manage the Investment Deposits and Savings Accounts, where the customer will be the fund provider and the bank will be the expert (Hanif, 2011).

4.3.3 *Ijarah*

It is simply a lease to own contract, where the first party leases property or equipment to the second party, for an approved period of time, for an approved periodical payment. Within this period, the second party has the right to utilise the property or use the benefits of the property. It is similar to an operational lease with a new contract to be introduced in the end of the lease period, “the sale of the property contract”. Ijarah contract holds an advantage for Islamic banks as the property stays in the name of the bank for the whole lease period, and only transfers the ownership at the end of the lease period. At the beginning the customer gets a “promise to sell” from the bank stating that if he complies with the conditions of the lease through the lease period and pays his instalments, he will

get the property at the end (Pervez, 1990; Ginena and Hamid, 2015).

4.3.4 *Musharakah*

Musharakah is a conventional partnership contract, where partners share the profit /loss, the effort for managing, and the results. The partners can negotiate the profit sharing percentage based on the capital and effort, while they have to bear the loss by the capital sharing percentage. Musharakah was used in Islamic banking for real estate financing and some huge construction projects, but seldom on a retail level due to its complications of management. Banks do not prefer to be a direct partner in a partnership and do not have enough capacity and expertise to manage all different types of projects (Hamadi and Bassil, 2015).

4.4 *Criticism of Islamic Banking Exercises and Practices*

Khan (2010) in his paper “How Islamic is Islamic Banking?” argued that the practices of Islamic banking are different from the theoretical model and principals that Islamic banking is built on, making the Islamic banking system very close to the conventional one. He argued that the claimed main four characteristics of Islamic banking, which are (a) risk-sharing, (b) materiality, (c) no exploitation, and (d) no financing of sinful activities (EL-Hawary et al., 2004), are breached by Islamic banking practices as follows:

- a- As Islamic banks practices copy conventional in collecting the same collaterals for similar debt contracts and use the daily interest rate as a benchmark (reference point) to set the “profit” of their products. Hence, it cannot be claimed that these banks are practically sharing risk.
- b- The sale and leaseback, and the underlying products in the Islamic transactions, like the Saudi gold sale, Islamic short sale, and many Islamic contracts and Sukuk, has actually proven to be a fictional materiality, and in action it is either no new

financed commodity is introduced, or the title is not actually transferring between the buyers. And these commodities are only vehicles to Islamise the conventional financing methods.

- c- As Islamic products are only copying the products of conventional banks, the fact that they are charging higher fees than conventional banks are exploitation by all means. Even if they are interest-free, they are still guilty of exploitation for charging more fees than the conventional market as an Islamic product delivery mark up.
- d- Islamic banks have a very poor Islamic Jurisprudence Audit on their activities. Hence, the fact that they are not financing non-Sharia compliant products is word of mouth only.

(El-Gamal, 2006) concluded that Islamic banking practices are very similar to the conventional banking practices, and Sharia is an arbitrage, where they find a proper Arabic term for the conventional product and sell it as Islamic (El-Gamal, 2006). Zaman (2008) mentioned that, in Islamic banking, no one cares how the transaction is built, as long as it is framed under a proper “Contract”, they can call it Islamic

All these criticism and contradicting opinions about Islamic banking and finance made the growth which these banks are achieving very appealing to be studied from a different perspective than the traditional financial methods. This thesis shall focus on studying Islamic finance from a Behavioural perspective, especially the factors affecting individuals to deal with these banks. Here, the bulk literature about Individuals behaviour towards Islamic finance and Islamic organisational behaviour is discussed:

5. Islamic Behavioural Finance

As part of the development of behavioural finance, the Islamic behavioural finance saw the light at the end of the 1980s. Studies of Islamic behavioural finance mainly focussed on trying to explain the behaviour of investors and customers towards their decision making to deal with Islamic finance, Islamic Stock Market, and other Islamic products and technologies. Studies tried to understand the level of influence that psychology and religion have on investor's intentions. Some studies were done to understand the general effect of behaviour towards Islamic finance. A well-established study done by Dusuki (2008) to understand the objectives of Islamic banks in Malaysia, the study used a self-administered questionnaire along with postal questionnaires to survey 1500 Islamic banking stakeholders including customers, managers, employees. The size of the sample size made this study more reliable. The study found that participants consider Islamic banks as organisations that should promote social goals and should encourage Islamic manners and values towards all its stakeholders. Also, it should back the community's social welfare, encouraging development projects and fighting poverty. Those were considered to be important objectives. Another generalised study conducted by Gait and Worthington (2008) did an empirical survey comparing 22 papers to explore the attitudes of individuals, business firms, and financial institutions towards Islamic finance. The article highlighted that the level of understanding of how religious beliefs affect decision making is still very low. When it comes to Islamic finance, multiple referees mentioned that the lack of understanding of the Islamic finance mechanisms and contracts might be the main reason, especially on the commercial side. This is another general finding based on multiple studies from different backgrounds.

Azmat, Ali, Azad, and Hassan (2017) did an important study which can help with understanding the booming in the industry. They tested the effect of religious sociology

on the risk-return relationship, especially on Islamic Sukuk. Using the data of 104 Islamic Sukuks, they found that the insistence of religion-driven customers on Shariah compliance puts the whole sector to a theoretical risk. This may lead to an unstable financial system. The theoretical risk is shown as negligence which might float to the surface in the case of facing bad news defying the validity of a Shariah-compliant structure. The paper highlighted the overreaction of customers towards Islamic Sukuk – which was promised to be safe and highly rewarding - resulting in overbooking. This might be the case of the whole industry. This overreaction was also registered on the negative side when facing bad news.

Here, the main factors affecting customers to deal with Islamic banking is discussed through reviewing the related literature, and later, Islamic organisation behaviour is discussed:

5.1 Individual customers' attitudes towards Islamic finance

The bulk volume of behavioural finance research in banking was about studying the attitudes of customers towards these banks, perceptions, patronage factors, and level of satisfaction. Despite the fact that the number of these studies focussing on conventional banking is large, the number of studies focussing on Islamic banking is quite low, and here, the main findings of these studies about Islamic behavioural finance and customer's attitudes towards Islamic finance are discussed.

The follower of the chronological progress of these studies realizes that in early stages of research in the late 1980's and early 1990s, religious motive was not crucial for customers, and the sample selection affected the results, for example, Erol and El-Bdou (1989) built and used a self-administered survey to determine the behaviour, attitude, and patronage factors of bank customers in both systems (Islamic and Conventional) in Jordan using a sample size of 434 customers from both banking systems. They found that the

most important aspects of choosing a bank (Islamic or conventional) were the quality of the service, the reputation of the bank, its prestige, and the level of confidentiality. They found that religion is not important as a motivation to choose a bank. The paper also concluded that customers got their information about Islamic banking from their relatives and friends, while the expansion in the branches of these banks was irrelative to the patronage factors. Erol, Kaynak, and Radi (1990) continued his research by using the same questionnaire data and the same sample but a new technical methodology to test the patronage behaviour of customers in Jordanian banks. They found that religious motivation did not have a significant effect on the choosing process. Also, the results weren't so far from the first paper except that individual investors of Islamic banking had a different opinion about pricing policies than individual investors in conventional banking have. In Malaysia, Haron, Ahmad, and Planisek (1994) focussed on the comparison in the patronage factors between Islamic and conventional banks. They did the study on 300 individuals from both Muslims and non-Muslims using factor analysis and found that Muslims and non-Muslims showed a similarity in their patronage criteria, requiring fast and quality banking services and religion wasn't the main motive for Muslims to choose Islamic banks. This is in line with the findings of Erol and El-Bdou (1989) and Erol et al. (1990). The study also showed that Muslims in Malaysia were not very educated about the Islamic financing mechanisms, on a comparison basis. The change in the results can be noticed in the finding of Naser, Jamal, and Al-Khatib (1999), as they continued the work of Erol and El-Bdou (1989) and Erol et al. (1990) in Jordan, but they used a sample of 206 only Islamic banks customers, they found that religion is the most important motive in Jordan to deal with Islamic banks, followed by the bank's reputation. The study of Erol and El-Bdou (1989) and the study of Naser, Jamal, and Al-Khatib (1999) took place in Jordan with a time difference of 9 years and a different

selection of sample size and features resulted in contradicting results. This may be due to the increase in interest in Islamic Banking in the 90's and the fact that Naser, Jamal, and Al-Khatib (1999) chose their sample from only Islamic banking customers. Also in the study of Haron, Ahmad, and Planisek (1994), the selection of mixed sample in early 1994 in Malaysia provided similar results to Erol and El-Bdou (1989).

After this Era, most studies found that religion is the main motive for customers to deal with Islamic Banks, especially in countries predominated by Muslims. Metwally (1996) tested Muslims' attitudes towards Islamic banking in three Arabic countries (Egypt, Kuwait, and KSA), which have mixed banking systems (Islamic and conventional). He used factor analysis and found that religion was the main motive to deal with these banks. He also made a comparison of the services between Islamic and conventional banking and found that Islamic banks did not show any special pricing in products or services. They had the same staff competency of conventional banks and speed of delivery. His sample was 385 respondents each in Kuwait, Saudi Arabia and Egypt. Also, Metawa and Almosawi (1998) found in their study conducted in Bahrain, that for dealing with Islamic banking, the most important motive for customers was religion, followed by the profitability of the bank. Customers highlighted their satisfaction about the level of services these banks provided. They complained about complicated Islamic products due to its high cost. The sample of this study was collected from only customers of Islamic banks, which makes the link between Islamic banks and religiosity stronger. Also in Kuwait, Al-sultan (1999) did a similar study about the patronage factors of Islamic banking customers. It was the religion that motivated these customers to deal with Islamic banking, taking into consideration that more than half of them preferred to deal with a conventional bank if the service there is better. This indicates that the quality of the service is the main condition to deal with Islamic banks,

backed by religious motives. The study sample was 385 respondents. Most of these studies used factor analysis and multivariate statistical techniques and used an average of 380 respondents as a sample. Numerous methodologies have been introduced since then, and multiple studies on the same area were introduced, which will be discussed later in this chapter.

In a relatively recent study about the role of religion in patronising Islamic banks, Okumuş (2005) focussed on the patronage factors in interest-free banks in Turkey. The study is remarkable as it is about a Muslim country outside the Middle East and Southeast Asia. The study focused on the customer's satisfaction and awareness when dealing with "interest-free banks" which is what Islamic banking is called in Turkey. They found that religion was the main motive for these customers to deal with Islamic banking. These banks were mixed banks in practice, offering both Islamic and conventional products to their customers and this was the second motivation as this made these customers happy with the offered bundle of Islamic and conventional products in the same bank. This study has the same potential bias that Metawa and Almosawi (1998) suffered from, both papers depended on a smaller size of sample collected from only customers of Islamic banks.

By comparison, two studies were conducted in Pakistan about factors affecting customers to deal with Islamic banks got different results. First, Lee and Ullah (2011) conducted a survey in Pakistan – Peshawar and Islamabad- to understand what motivates customers to choose an Islamic bank. The main tested point was the importance of Shariah compliance for the customer's selection process using a self-administered questionnaire. They found that customers of Islamic banks have high respect toward the Shariah compliance aspect to the extent that if Shariah is repeatedly violated in the chosen bank, customers tend to change their bank to a different Islamic bank. They also found that convenience, advancement in the IT aspect, and security measures are all important

factors in the selection process. In contrast, Awan and Azhar (2014) did a similar study in Pakistan Multan about the factors that affect the selection process of Islamic banks in Pakistan, and using a structured questionnaire, they found that the main factors to patronise Islamic banks are mass advertisement, quality of service, attitude of staff, role of friends and family, the reputation of the bank, high profits distributed and low charges of services, and lastly the religious norms. It also showed the relationship between customer behaviour towards Islamic banks and customer's level of satisfaction. The difference between the two studies was the location (different cities), and the sample size, while both studies collected the surveys from customers of Islamic Banks, the first study used 357 respondents while the second one used 200 customers. This proposes more and deeper reasons to be tested for such difference in results.

Another Important comparison can be conducted between two studies about this topic in the UK. First Omer (1992) used a questionnaire to understand Muslims' awareness and patronage factors of Islamic banking methods. He collected 300 questionnaires from Muslims living in the UK. Back then, Islamic finance was available in the UK through Islamic windows (an Islamic department sells Islamic banking products in a conventional bank). He found that religion is the main motivation for those Muslims to deal with Islamic banking. He also found that even though they prefer Islamic banking, they have a high ignorance rate about the Islamic financing contracts and concepts. This line up with other literature found that Muslims who live in Islamic countries have a better understanding and awareness of Islamic financing products and concepts than immigrant Muslims. After 25 years, another study within the community of UK Muslim minorities was done by Abdullrahim and Robson (2017), using an exact size of the sample used by Omer (1992). It was about the selection criteria of Islamic banking and the role of quality services in that selection process. They found that responsiveness is the highest important

factor to customers of Islamic banks, and also that credibility and Islamic tangibles were important for Islamic customers. The change in the level of quality customers demand can be noticed in this comparison; customers shifted from merely being religious to become more service oriented and quality seekers.

The most recent studies conducted about factors affecting individuals to deal with Islamic banks were prepared in countries outside the Arabian Gulf or Malaysia, but all confirmed the importance of religion for customers to deal with Islamic banks, Bizri (2014) did a study about the patronage factors of Islamic banks in Lebanon. The paper enlisted five important factors affecting customers' decisions to patronise Islamic banks: Trust in the bank and its compliance with Shariah, customer's awareness of Islamic banks, pricing, ease of access, and service provided by such banks. The paper also specified the demographic profile of an ideal Islamic bank customer as employed, adult, and committed Muslim. Usman, Tjiptoherijanto, Balqiah, and Agung (2017) did a significant study to understand the role that religiosity plays in selecting Islamic banks in Indonesia. They found that religiosity plays a major role in traditional groups where customers have a high level of religiosity, while in contemporary groups it does not, but it still affects the selection indirectly through other variables like trust and the source of information. The study also concluded that Islamic banks should not rely only on a religious selling point as the Islamic market is segmented. Those recent studies included more sophisticated statistical approaches than before, like cluster analysis and discriminant analysis.

Two relevant studies conducted in North Africa, First, in Tunisia, Ltifi, Hikkerova, Aliouat, and Gharbi (2016) did a paper about the factors affecting the selection process of Islamic Banks, using a self-administered questionnaire, factor analysis and regression analysis, and the paper found that multiple factors are considered by the customer when

choosing an Islamic bank, mainly service quality, trust in the bank, and level of Shariah compliance. Second, in Morocco, Aminou and Aboulaich (2017) did their research about the customers' decision to patronage Islamic or conventional banks. They used a simulation model built on the MAS platform and found that there is a difference in the factors that affect choosing Islamic and conventional banking on a product level (auto finance, home finance). Furthermore, the Shariah-compliant aspect was an important determinant to choose Islamic along with pricing, accessibility, and service quality. Those two studies distinguished by smaller sample size (180 and 128 consequently) and the importance of not only the Shariah compliance factor but also the service quality.

5.1.1 Customer's attitudes towards Islamic banking with no Supply

Two remarkable studies were conducted about the customer's attitudes towards Islamic banking in countries that did not have Islamic banking yet. The first was done by Gerrard and Cunningham (1997) in Singapore. At that time, there was no Islamic banking in Singapore. They studied the customer's attitudes towards Islamic banking using a survey questionnaire and 190 surveys. Their results showed that non-Muslims were ignorant about Islamic financing mechanisms, while Muslims were a little better in that sense. Also, in line with Haron et al. (1994), customers most crucial patronage factor was the fast, competent service, and confidentiality. The second study was conducted by Abdullahi and Shaharuddin (2016). They introduced a study about the potential of Islamic finance in Macedonia, with 500 respondents that filled in a survey about their awareness of Islamic finance tools and contracts, the level of demand, and their willingness to deal with it, and the level of support such banks can get. The results demonstrated a high demand for Islamic banking, a good understanding and awareness of Islamic banking contracts and financing tools and expected proper support for the domain. Both studies did not test for Shariah compliance and religiosity but replaced it with awareness and

demand. This makes sense in countries where the service is not available yet.

This type of studies shows the importance of Islamic banking in new markets and the potential for this industry to flourish in other countries regardless if dominated by Muslims or not.

5.1.2 Demographic factors effects.

Three important studies were done on the basis of demographic comparison. First: Hegazy (1995) evaluated the demographic data of 400 customer profiles from two Egyptian banks. One is Islamic, and the other is conventional. He found that 98.8% of the Islamic bank customers were Muslims (this suggests that religion motivates the choice here), married, and have kids, while 32.4% of the conventional bank customers were Christians and 54.3% were Muslims. He also tested the patronage factors of the Islamic bank customers and found that customers emphasised the speed of service and efficiency. Comparatively, the conventional bank customers preferred the rate of return as their main selection criteria. Second, Metwally (2002) studied how demographic features affected the bank selection process in Qatar. He found that older people, females, low-income employees, moderate education level people, and employees in the public sector preferred Islamic banking. On the contrary, young people, highly educated who work as highly paid public-sector employees, or professionals, preferred conventional banks, with a sub-segment of wealthy highly educated people preferring international conventional banks more than domestic ones. Third, Zainuddin, Jahyd, and Ramayah (2004) also did a demographic comparison study in Malaysia to demonstrate the difference between Islamic banking customers and non-customers. They found that Islamic banking customers were older than 30 years old with a comparatively steady income, while non-customers were young people, comparatively single, and have a lower income. The noteworthy finding here is that their decision to deal with Islamic banks was affected by

their family and friends, and also by their religious beliefs.

Other than those, as mentioned earlier, Bizri (2014) mentioned the profile of the ideal customer for Islamic banks in Lebanon as employed, adult, and committed Muslim. Also, Ltifi, Hikkerova, Aliouat, and Gharbi (2016) mentioned that in Tunisia, women and young adults (below 35 years old) are more likely to be influenced by Islamic banks. It is obvious that market segmentation studies in Islamic finance till on the beginnings and there is a long way till this field is covered. The studies are in a preliminary stage, and the vast majority of the Islamic world is not covered even the biggest countries of Islamic finance market is not covered like Saudi Arabia. Lastly, Hanudin Amin, Rahim Abdul Rahman, and Abdul Razak (2014) when studying Islamic home finance acceptance in Malaysia found that the demographics of customers play a role, specifically marital status, employment, and religion while gender, income, and the level of education did not play a significant role in the acceptance process.

Most of the demographic studies highlighted that Muslim adults and married consumers tend to be Islamic banking customers, with a higher acceptance rate among women.

5.1.3 The influence of Awareness.

Other than the early paper of Omer (1992), several studies were done to understand the awareness of Islamic banking and its effect on patronising Islamic banks. First, Hamid and Nordin (2001) tested how educated the customers were in Malaysia regarding Islamic financial institutions' products and contracts using a relatively considerable sample of 967 customers. They found that even though customers were aware of the presence of Islamic banking in Malaysia, and half of them are already dealing with them, the customers could not tell the variances in the products between the Islamic and conventional banks. The importance of this study is that it is done in Malaysia, one of the

largest markets for Islamic banking. Another study about awareness conducted in the oldest mixed banking economy was conducted by Bley and Kuehn (2004) in UAE, they also used a proper sample size of 667 university business graduate; the sample had a good rate of finance educated students, and it was mixed between Arabic Muslims and non-Arabic Muslims, and their main findings were that Muslims preferred Islamic banking for religious purposes. While from an education point of view, Arabic Muslim students showed a higher level of education about Islamic banking concepts and mechanisms, non-Arabic Muslims showed a higher level of education about conventional banking mechanisms. The general level of banking knowledge for all students was low. Those two studies in Malaysia and UAE are relatively old, and new research needs to be done about those countries.

Unlike the previous studies, Wahyuni (2012) conducted a study in Indonesia to find out the influences of awareness toward the acceptance of Islamic banking. He used factor analysis and found that awareness is the main factor in accepting Islamic banking. Also in his paper, Sabirzyanov (2016) highlighted the positive correlation between the level of knowledge customers have about Islamic finance contracts and the willingness to deal with it. These papers confirm the role of awareness in selecting Islamic banking rather than indicating the level of awareness individuals have about the industry.

5.1.4 Customer loyalty towards Islamic banks.

Other papers looked into the factors affecting the loyalty customers have toward Islamic banking. Hassan et al. (2012) conducted the test in Pakistan. They collected 125 surveys from customers from 20 Islamic banks in the country and concluded that satisfaction of customers, the cost to switch banks, the perception of a customer, and trust are all positively correlated with customer loyalty to these banks. Similarly, T. Arshad, Zahra, and Draz (2016) studied the phenomenon from a different angle, and they examined the

effect of customer satisfaction on loyalty, the image of the bank, trust levels, and intention to switch. They found that there is a transitive relationship between the variables as satisfaction influences image, image influences trust, and trust affects loyalty. Furthermore, image influences the intention to switch at a customer level. The paper did not find any relationship between customer satisfaction and the image of the bank. Further studies required to understand the effect of the image on customer selection and loyalty.

5.1.5 Behaviour of Bank depositors

The bank depositors and savers were studied in Turkey by two papers. The first focused on the herd behaviour among investors in Islamic finance, Starr and Yilmaz (2007) did a study about the behaviour of depositors during many turns in special finance houses. They found that the increased withdrawals of medium size depositors from these houses pushed small depositors to follow them, as the medium size depositors were considered a type of creditworthy source of information for the small ones. The study also found a vice versa effect; the smaller depositors pushed the medium sized one to follow and then the large depositors too. The elements of information explained their finding and the first come first served concept which affects the management of banks. The second one focused on savings as a habit, not as behaviour and was conducted by Davutyan and Öztürkkal (2016). They did a study about the behaviour of customers when it comes to savings. Using a face-to-face survey collected from 2607 respondents, which makes the study results more credible, they found that religious individuals prefer real assets than financial ones but with weak evidence. They also found that there is no difference between religious and non-religious participants when it comes to saving and borrowing money from banks. Demographically, women preferred real assets over financial ones, and to avoid borrowing from banks. Mature people are more likely to save and borrow from banks and married people too. The level of education influences the saving decision; a

university degree is positively correlated with savings and preference of financial assets along with an incline to borrowing formally. Income and urbanised areas participants had a positive correlation with savings.

5.2 *Product wise research.*

Multiple other articles were more specialised about studying the intentions and attitudes of customers towards a specific product, most of these studies (except one) were conducted in Malaysia and most of them were done by the same authors:

5.2.1 *Islamic Home Finance*

All papers related to selecting this product were conducted in Malaysia mostly by Taib, Ramayah, and Razak (2008) and Amin, Abdul-Rahman and Abdul Razak (2013, 2014a, 2014b, 2016). Chronically, The first study to be conducted about intentions towards a specific Islamic finance product is believed to be done by Amin, Abdul-Rahman and Abdul Razak (2013). They tested the factors affecting the selection of diminishing partnership home finance. Their research led them to conclude that the concept of diminishing partnership is acceptable in the market, and the two most influencing factors on the selection process are religion primarily and social norms secondly. This paper depended on 300 university students as participants. After this, a series of papers about the acceptance of Islamic home finance were conducted by (Amin, Abdul-Rahman and Abdul Razak, 2013, 2014a, 2014b, 2016; Amin *et al.*, 2017) using an average sample of 250 bank customers. They found that education is an important variable affecting the decision of choosing an Islamic home finance. Also, welfare and the intention to select an Islamic home finance are mediated by religious satisfaction while religious satisfaction moderates the link between justice and the intention to choose the Islamic home finance product. They also discovered that effect of the community (subjective norms), perceived

control and attitude are the important variables in determining the acceptance of this product in the Malaysian market plus how much facilities are provided. They also found that rational aspects like perceived risk and reward (financial benefits) are important factors to the selection process.

5.2.2 Islamic Credit Card

This product was tested in the Malaysian market by Amin (2012, 2013), the two studies are close in timing and sample size (354 and 257) consequently, found that the factors affecting the usage of the product are financial recommendation, and the level of awareness, while attitude towards the Islamic credit card does not have much influence. The study also emphasised on the importance of the demographic factors of the clients saying that young age, level of education, the client's marital status and religion have a great influence on their decision to choose an Islamic credit card. The second study was a bit contradicting to his first one as he this time found that attitude, perceived financial cost, and subjective norms largely affect the customer's intention to choose the Islamic credit card in the Malaysian market. This might be due to the method, or the way the survey was formulated or even the methodology, as Amin 2012 used probit model while he used PLS later.

5.2.3 Islamic Personal finance

Due to the newness of this product, there was only one study to discuss this product and its patronage factors. H. Amin, Abdul Rahman, Sondoh Jr, & Chooi Hwa (2011) did a notable study about Islamic personal finance and the factors that affect customers to choose this product using semi-structured questionnaires. They found that social influence, pricing of the product, and attitudes have a significant effect on the intention to choose this product. They did not find any influence of religion or support from government on the intention to choose this product.

5.2.4 Mobile banking

Sun, Goh, Fam, Xue, and Xue (2012) did a study about the acceptance and adoption of mobile banking in Malaysia, and their study focussed on the role of religion in accepting phone banking. They found that religion and commitment are the major two factors to influence adopting such technology among customers. This study is unique as it links adopting new banking technologies to religious norms.

5.2.5 Islamic Insurance Services

Echchabi, Ayinde Olorogun, and Azouzi (2014) did a recent article about the acceptance of Islamic insurance in Tunisia where there is no Islamic insurance yet. They studied the relative advantages, uncertainty, the compatibility of products, and the influence of society. They found that customers in the Tunisian market will accept the Islamic insurance companies by principle, but they will be very much affected by the compatibility of these products and services.

5.3 Islamic Organisational Behaviour

Different research tried to uncover the role of religious norms in Islamic oriented organisations or organisations in predominant Muslim countries, To understand the effect of a Muslim CEO in a company, Hooy and Ali (2017) did a comparative research study in Malaysia about companies with and without a Muslim CEO. The study did not find any significant difference in the performance between the Shariah-compliant companies and the conventional companies, but they found a negative effect of a Muslim CEO in the scenarios where the board of directors was occupied by Muslims or when the majority of the owners are mainly Muslims. To support these findings, another study conducted by M. Ali and Azmi (2016) tested the effect of a diversified religious board on performance and solidity. The paper results mention that the board of directors' different

religious orientations has no influence on the profitability and performance of the Islamic bank. There is no difference in the performance between an Islamic and a non-Islamic board member of an Islamic bank. To discuss the effect of Islamic culture on organisations, (Pfeifer, 2001) studied the profitability and wages in Islamic and non-Islamic firms in Egypt, using a qualitative analysis of 15 firms in the years 1993-1994. The paper found that non-Islamic firms made notable higher profit rates, while the Islamic firms paid on average a better wage for its employees, which suggests that Islamic influence can reshape the behaviour of the economy.

This literature suffers from some gaps and points which will be discussed in the following section.

6. Gaps in the Literature

When it comes to Islamic behavioural finance, little has been done compared to conventional banking in connection with analysing attitudes, perceptions, and knowledge, taking into consideration the international growth of Islamic finance and the introduction of the mixed banking system in more than one continent.

- 1- For individual investors, religion is the main motive for customers to deal with Islamic financial institutions, but it is not the only criteria. Customers highlighted that the reputation of the bank, the quality of the service, and the pricing are among the top patronage factors for choosing a specific Islamic bank. The literature also shyly mentioned that there is a high degree of market segmentation when Islamic finance is presented. Further studies required to uncover the factors and do proper market segmentation.
- 2- Few papers found a minimal difference between the products and services of Islamic and conventional banks, proposing that religion is playing a major role here. More studies required to understand the role of religious norms in the

decision to deal with Islamic banking.

- 3- The introduction of behavioural finance theories was done through the theory of planned behaviour and the theory of reasoned action only; research almost lacks other theoretical frameworks, other theories should be explored in this field
- 4- The concentration of studies in a geographical area is obvious (Malaysia and some GCC countries).
- 5- The study of a change in behaviour throughout time is lacking, as the behaviour is expected to change between the introduction of experience and after building a personal and social experience.
- 6- For the demographic factors, the literature mentioned the demographic factors in a shy way. Most studies emphasised on Muslim as the main character of customers. Studies ignored the different structures of communities and countries, ethnic background, and Geert Hofstede's cultural dimensions.
- 7- From the awareness perspective, the literature found that individual customers, in general, have minimal education and knowledge about Islamic finance especially among immigrant minorities and countries that are yet to start Islamic banking, creating a great challenge for the spread of the Islamic banking industry. Studies also ignored the comparative effect of education, as most studies assumed that more education about Islamic finance means more customers, which is an assumption that needs testing. Also, a study is required to understand the effect of awareness in communities where there is no Islamic banking, and in well-established Islamic banking communities.
- 8- Other studies tested the effect of religious norms and awareness in Islamic banking, while one of them only tested the effect of religiosity in management and none in salespersons. No testing of the behaviour of bank staff and how it interacts

with the behaviour of consumers was found.

- 9- Methodologies used in older studies are mostly outdated, and the results of the papers contradict widely when changing the sample size, location (in the same country) or the methodological approach. Still, new methodologies are used in recent studies, and accurate results are showing in the field.
- 10- Attitude showed contradicting results in the studies of Amin (2012,2013) hence, more focus on the role of attitude is required.

7. Thesis aims and expected contribution

Based on these conclusions and analysis, this thesis will focus on the following lines of research:

- 1- The thesis will try to understand the factors affecting consumers behaviour and intention in dealing with Islamic banking. This behaviour may help to understand the growth this industry is having and will shed light on the motives these consumers have. Furthermore, this thesis aims to close some gaps in the literature of Islamic behavioural finance by focusing on the factors affecting consumers intention to deal with Islamic banking in a country where there is no Islamic finance offered yet, and later, it aims to understand the factors affecting customers attitude when dealing with Islamic finance in a country that has a well-established Islamic finance industry.
- 2- This thesis will try to study unexplored Muslim communities especially minorities and countries where Islamic finance is not introduced in countries like Europe. Furthermore, comparative studies between a dominant Muslim country and a minority community might help to understand the difference in behaviour towards Islamic finance in these two communities in two different papers; this will provide

a better understanding on different markets. Nevertheless, as the direct comparison of these two markets is out of scope, the results of the two papers will be discussed in conclusion.

- 3- The thesis will try to explore the demographic factors in determining Muslims' behaviour towards Islamic finance at least in one of the markets.
- 4- The thesis will test the influence of awareness about Islamic finance contracts and mechanisms on the decision to deal with Islamic finance positively or negatively. Awareness will be discussed in all chapters.
- 5- The thesis will explore the of Shariah compliance in Decision making and how much people believe that Islamic banks are Shariah compliant and if this affects their decision to deal with Islamic Banking, this point will clarify the relationship between the message these banks are sending as "Islamic" and how much people are convinced with it. Furthermore, it will provide information on how this convection affects the decision to deal with these banks.
- 6- The thesis will also focus on studying the behaviour of bank staff, their awareness and how their behaviour might affect their performance and the behaviour of customers and how they get affected by the behaviour of customers. This part should provide information on the effect of customer demandingness on the level of awareness these salespersons have, and how much it will affect their performance.
- 7- Finally, the thesis will use primary data based on designed surveys and will analyse these data using suitable statistical methods in pursuit of precise results and try to clarify some of the contradictions in the literature, like the role of attitude.

The aims of this study are complementary to the existing literature and corrective in

some way. It aims to close the gaps about the factors affecting attitude, the behaviour of Muslim minorities toward Islamic finance and shed light on the behaviour of Bank staff. Also, it aims to correct the existing literature about how much shariah compliant people think Islamic banks are and how does it affect their decision to deal with them.

8. Case Selection:

The research conducted in this thesis is divided into three papers:

1- Attitude of Muslim Minority in Spain towards Islamic finance:

This chapter is going to study (as the name suggests) the behaviour of the Muslim minority in Spain towards Islamic finance. Spain was chosen for this paper as one of the European countries that have a relatively large Muslim minority – 1.88 million – and never been studied before from an Islamic behavioural finance perspective. Also, the fact that there is no Islamic finance introduced yet in Spain makes it interesting to understand the behaviour of Muslim migrants in a non-Muslim majority setting. This can help understand the behaviour toward Islamic banking before the experience of dealing with these banks is introduced.

2- Factors affecting customers' attitude towards Islamic banking in UAE:

This is going to study the attitude of consumers in UAE toward Islamic banking. The reason UAE is chosen for this chapter is the fact that UAE is the oldest economy which has mixed banking system (Islamic and conventional) and the community is predominated by Muslims there. This setting can help understand the behaviour after the experience of dealing with Islamic banking is introduced and where the community has shaped a proper understanding of it and its mechanism.

3- Understanding the self-efficacy and performance of salespersons in Islamic banking

The last chapter will be about understanding the behaviour of Islamic banks' staff and how their behaviour affects and gets affected by the behaviour of customers. Due to the need for an Islamic bank well-established to do this study, the research is conducted in UAE as the information is easily accessed and can be related to the second chapter in a better way.

It is important to note that the difference in Muslims' schools of thoughts and the comparative contextual factors between the two countries are out of scope for this thesis.

The following table provides the reviewed papers in Islamic behavioural finance, their methodology, the sample and the technique organised by the headings of this chapter.

General

Author(s)	Methodology	Sample / Country	Technique(s)
Wajdi Dusuki, A. (2008)	Self-administered and postal questionnaires	1,500 respondents in Malaysia represents customers, depositors, local communities, Islamic banking managers, employees, banking regulatory officers and Shariah advisers	Exploratory factor analysis
Gait et al 2008	Literature review		Comparison
Saad Azmat, Haiqa Ali, ASM Sohel Azad, M. Kabir Hassan (2017)	Literature review		Comparison

Individual customers' attitudes towards Islamic finance

Erol and El-Bdour (1989)	Self-administered questionnaire	434 Jordanian Islamic and conventional bank customers	Univariate and multivariate statistical techniques and factor analysis
Erol et al. (1990)	Self-administered questionnaire	434 Jordanian Islamic and conventional bank customers	Multivariate techniques and factor analysis
Haron et al. (1994)	Self-administered questionnaire	301 Muslims and non-Muslims in Malaysia	Univariate and multivariate statistical techniques and factor analysis
Naser et al. (1999)	Self-administered questionnaire	206 Jordanian Islamic banks customers	Descriptive analysis
Metwally (1996)	Telephone interviews	385 respondents each in Kuwait, Saudi Arabia and Egypt	Factor and correlation analysis
Metawa and Almoosawi (1998)	Self-administered questionnaire	300 Islamic banks customers in Bahrain	Profile analysis and non-parametric statistical tests
Al-Sultan (1999)	Self-administered questionnaire	385 respondents in Kuwait	Factor analysis
Okumus (2005)	Self-administered questionnaire	161 Islamic bank customers in Turkey	Descriptive analysis

Lee, K. H., & Ullah, S. (2011)	Self-administered questionnaires	357 customer / Pakistan	Descriptive statistics and cross-tabulation analysis
Awan, G. A., & Azhar, M. (2014)	Structured questionnaire	Sample of 200 consumers in different Islamic bank in Pakistan	Correlation and regression analysis, ordinary least square (OLS)
Omer (1992)	Self-administered questionnaires	300 Muslims residing in the UK	Descriptive analysis
Abdullrahim, N. & Robson, (2017)	SERVQUAL and CARTER models.	Eight group discussions and survey with 300 Muslims / UK	Extended SERVQUAL model,
M. Bizri, R. (2014)	Self-administered questionnaires	199 questionnaires in Lebanon	Factor analysis - regression - cluster analysis followed by discriminant analysis
Usman, H., Usman, H., Tjiptoherijanto, P., Tjiptoherijanto, P., Balqiah, T. E., Balqiah, T. E., ... & Agung, I. G. N. (2017)	Exploratory approach and the natural experimental design	363 questionnaires of bank customers / Indonesia	Two-way analysis of variance seemingly causal model (SCM)

Ltifi, M., Hikkerova, L., Aliouat, B., & Gharbi, J. (2016)	Self-administered questionnaires	180 Islamic bank clients / Tunisia	Factor analysis, regression analysis, and demographic characteristics analysis.
Aaminou, M. W., & Aboulaich, R. (2017)	Questionnaire	128 comparisons/ Morocco	Simulation model a MAS platform

Customer attitude towards Islamic Banking with no Supply

Gerrard and Cunningham (1997)	Self-administered questionnaire	190 respondents in Singapore	Univariate and multivariate statistical techniques and factor analysis
Abdullahi, S., & Shaharuddin, A. (2016)	Self-administered survey	500 respondents and 16 experts were interviewed / Macedonia	Quantitative and qualitative methods Descriptive statistics

Demographic factors effects

Hegazy (1995)	Self-administered questionnaire	400 Egyptian customers of the Faisal Islamic Bank and the Bank of Commerce and development	Parametric tests and factor analysis
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Metwally (2002)	Telephone interviews	385 bank customers in Qatar	Multiple discriminant analysis
Zainuddin et al. (2004)	Structured questionnaire	123 bank customers in Penang, Malaysia	Descriptive analysis

The influence of Awareness

Hamid and Nordin (2001)	Self-administered questionnaire	967 bank customers / Malaysia	Descriptive analysis
Bley and Kuehn (2004)	Self-administered questionnaire	667 university business graduates and undergraduates / UAE	Principal components analysis, descriptive analysis and regression techniques
Wahyuni (2012)	Factor analysis and hierarchical regression methods	Questionnaire 198 Muslims from Surakarta, Indonesia	Factor analysis and hierarchical regression methods
Sabirzyanov, R. (2016)	Questionnaires	Sample of 517 /Tatarstan	Theory of Reasoned Action (TRA) descriptive analysis Confirmatory Factor Analysis Structural Equation

			Modelling (SEM)
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Customer Loyalty towards Islamic banks

Hassan, M. T., Ahmed, B., Ahmed, S., Habib, U., Riaz, S., Maqbool, N., & Anwar, A. (2012).	Self-administered survey	Sample of 125 respondents from 20 banks / Pakistan	Factors
Arshad, T., Zahra, R., & Draz, U. (2016)	Self-administered questionnaire	200 conventional and Islamic bank customers / Pakistan	Regression analysis

Behaviour of Bank depositors

Starr, M. A., & Yilmaz, R. (2007)	VAR analysis	data on withdrawals from SFH, starting on February 12, 2001, till April 25, 2001	VAR analysis
Davutyan, N., & Öztürkkal, B. (2016)	Representative survey of the Turkish household sector	face-to-face interviews with 2,607 individuals	Four probit regressions

Islamic Home Finance

Fauziah, Taib, M., Ramayah, T., &	Self-administered survey	300 University students / Malaysia	Means of factor analysis, correlation and
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Abdul Razak, D. (2008)			regression analysis
Amin, Abdul-Rahman, & Abdul-Razak (2013)	Integrated Method: TPB and the IDT models	Questionnaire 237 of non-house owners of Islamic banks and bank customers in Kota Kinabalu, East-Malaysia	Integrated theory: TPB (Theory of Planned Behaviour) and the IDT (Innovations Diffusion Theory) and PLS
Amin, H., Abdul-Rahman, A. R., & Abdul Razak, D. (2014)	Self-administered questionnaires	141 usable questionnaires / Malaysia	Maqasid al-Shariah index (MSI) and religious satisfaction (RS) for Islamic mortgage industry + partial least squares (PLS)
Amin, H., Rahim Abdul Rahman, A., & Abdul Razak, D. (2014)	Self-administered questionnaires	278 bank customers questionnaires / Malaysia	Using the TPB model as a baseline theory / probit model,

Amin, H., Abdul-Rahman, A. R., & Abdul-Razak, D. (2016)	Self-administered questionnaires	282 usable surveys / Malaysia	Partial least squares. - Theory of Interpersonal Behaviour
Hanudin Amin, Abdul Rahim Abdul Rahman, Dzuljastri Abdul Razak, Hamid Rizal, (2017)	Questionnaire survey	Sample from 351 of customers of Islamic banks / Malaysia	Partial least squares (PLS).

Islamic Credit Card

Amin, H. (2012).	Self-administered questionnaires	Survey data from 354 respondents	Theory of reasoned action (TRA), Ordered probit model
Amin (2013)	Theory of Reasoned Action	Questionnaire 257 of bank customers in Labuan, Eastern-Malaysia.	Partial Least Squares (PLS) and factor analysis

Islamic Personal finance

Amin, Hanudin, et al. (2011).	Face-to-face survey using semi-structured questionnaire	136 customers of two Islamic banks in Malaysia	Factor analysis, correlation and regression to analyse the data
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Mobile banking

Sun, Goh, Fam, &Xue (2012)	Technology Acceptance Model	Questionnaire 30 of Southeast Asian young adults / Malaysia	Technology Acceptance Model (TAM)
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Islamic Insurance Services

Echchabi, Olorogun, &Azouzi (2014)	Structural Equations Model	Questionnaire 66 of Tunisian customers	Structural Equation Modelling (SEM) and one- sample t-tests
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Islamic Organisational Behaviour

Hooy, C. W., & Ali, R. (2017).	OLS regression	firm-level data from Bursa Malaysia from 2007 to 2013	OLS regression
Ali, M., & Azmi, W. (2016)	GMM estimation	Data on Malaysian banks (Islamic and Conventional) through 2005 to 2013.	GMM estimation
Pfeifer, K. (2001)	Interviews	15 Egyptian firms Interviewed in 1993 and 1994	Qualitative analysis

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Chapter 2: Attitude of Muslim Minority in Spain towards Islamic finance

Abstract

Purpose - The study uses a theoretical model based on the theory of reasoned actions to investigate the effects of attitude, religious motivation, awareness, and service and pricing, on the intention to use Islamic banking among the Muslim minority in Barcelona - Spain. It also aims to determine the profile of a potential Islamic banking customer among this minority.

Design/methodology/approach - The research focuses on a survey of Muslims living in Barcelona - Spain who know of the existence of Islamic finance but do not have access to it. The research uses factor analysis and logit regression to analyse the data.

Findings - The results show that attitude, religious motivation and awareness are all important factors affecting the intention to use Islamic banking. The study also shows that the potential Islamic banking customer in Barcelona - Spain is a Muslim (Spanish, Moroccan or Pakistani), male, and did not reach university degree in his education.

Research limitations/implications - The sample has 154 participants living in Barcelona, with the rest of Spain being ignored, results may not apply to all Muslims in Spain. Also, this study does not consider attitude as a moderator.

Practical implications - The research shows the potential for Islamic banks in the Spanish market and the possibility of raising awareness about Islamic banking.

Social implications - Islamic banking in Barcelona - Spain could help the Muslim minority to participate efficiently in financial activities, thus leveraging their capacity to integrate into the community. The study also highlights the importance of empowering

the women in this minority and could help society by encouraging off-banking money to flow into the financial sector.

Originality/value - The research is the first empirical attempt to test the factors affecting the intention among Muslims in Barcelona - Spain to deal with Islamic banking. The study also highlights the importance of Islamic finance for Muslim minorities as a method to support their religious identity.

Keywords - Islamic finance, Islamic banking, behavioural finance, Spain

1. Introduction

Islamic banking was introduced in the early 1970s as a religiously approved interest-free alternative to the current conventional banking, which depends mainly on interest in all of its financial transactions, and it succeeded in positioning itself as the holder of strong ethical values and practices. The Islamic banking industry was growing 50% faster than conventional banking and resisted the financial crisis much better than its rivals by 2013 (A.R., 2013). The asset size of the Islamic banking industry is \$2.4 trillion; this has been growing at 10% per annum for the last 5 years, and this growth rate is expected to be maintained for the next five years, with the value of assets reaching \$3.24 trillion in 2020 (Iqbal, 2016).

In Spain, save for a few tentative initiatives, Islamic banking has not yet started, even though the Muslim minority in Spain is almost 4% of the population, a higher percentage than in many other countries where Islamic banking has been developed and properly established. In Australia, where Muslims make up about 1.7% of the population (Commonwealth of Australia, 2008), Islamic banking has been established, and the government has worked to diversify its activities between commercial and retail banking. The government of Australia has stated that the encouragement of Islamic banking in Australia can help to empower Muslims in Australia and can provide support to international investment, giving access to “products that may be more consistent with their principles and beliefs” (Sherry, 2010).

European countries such as the United Kingdom, the Netherlands, France, Luxembourg and Germany have taken different steps to attract Islamic financial investment. Callum McCarthy, Chairman of the UK’s Financial Services Authority (FSA), mentioned in a speech about Islamic finance regulations: “It would have been an invidious form of social exclusion for regulation to have prevented the development of

financial products which conformed with their religious beliefs, and therefore to have condemned them to a position where their religious beliefs prevented them from accessing financial services” (McCarthy, 2006). In the Netherlands, several steps have been taken to encourage Islamic finance, with the Central Bank publishing a report to highlight the regulations that may constrain the implementation of Islamic finance (Muller, 2009).

Spain would make sense as the next destination for Islamic banking, as immigration in recent decades has reinforced the presence of Islam in Spain, where there are now almost two million Muslims, a significant number of whom have obtained Spanish nationality. As of December 2016, there were 1.88 million Muslims in Spain. The three main nationalities of these Muslims are Spanish (original or nationalised), Moroccan and Pakistani, but there are other minorities like Gambians, Syrians and Bangladeshis. The Muslims are mainly established in four of the autonomous communities, Madrid, Catalonia, Andalucía, and Valencia (Metroscopia, 2010; Govan, 2016). The size of the Muslim population in Spain makes it logical to inquire whether Islamic banking could work in Spain, and what these Muslims feel about Islamic banking. Another reason why Islamic banking mechanisms might be important in Spain is the lowering of the reputation of the conventional banks as the result of many issues, which include managers misusing their positions and widespread incidents of unethical business practice in banking operations (Hedgecoe, 2014).

The selection of Barcelona as a location for the study comes from the fact that it is one of the four autonomous communities Spain that hosts Muslims in Spain, it has never been studied from an Islamic behavioural finance perspective. This chapter tries to explore and understands the behaviour of Muslim migrants in a non-Muslim majority setting. The fact that there is no Islamic finance introduced yet in Spain makes it interesting to understand

it. This can help understand the behaviour toward Islamic banking before the experience of dealing with these banks is introduced so later it can be compared with the behaviour of Muslims toward Islamic finance in an economy with well-established Islamic banking in the next chapter. This selection promises of new findings, theoretically and empirically, as the chapter proposes a developed version of the theory of reasoned actions to include new factors and uncovers the factors affecting consumers to deal with Islamic banking in a Muslim Minority community. It also provides results about the demographics of prospective customers.

Previous research refers to “attitude”, “religious motivation” and “awareness” as the main factors that explain a customer’s intention to deal with Islamic banking (Sabirzyanov, 2016). Previous studies also found “prices and services” and demographic factors to be important influences on the intention to use Islamic banking (M. Bizri, 2014). This study will test the factors affecting the intentions of Muslims in Barcelona in Spain to deal with Islamic banking, by adopting a theoretical framework derived from the theory of reasoned actions (TRA) introduced by Fishbein and Ajzen (1975). In this research, the original framework is modified by adding “religious motivation”, “awareness” and “service and pricing”. Further, the profile of a potential customer of Islamic banking is explored through the demographic factors of the participants. The study is organised as follows: Section 2 covers the literature review, Section 3 introduces the TRA and develops the hypotheses, and Section 4 presents the sample and research methodology. In Section 5 the results are displayed, and Section 6 includes a discussion, the conclusion and some implications.

2. Literature review

Islamic finance primarily is built on the prohibition of interest; it is not permissible to charge money for how long the money is lent. Money does not generate money with time unless it got involved in a commodity-based transaction. This ban comes from Islamic jurisprudence (Islamic law), which is derived from the Holy Quran and the orders of the Prophet of Islam. Hence, Islamic banks started to follow contracts that have underlying commodities to justify the financial transaction and generate profit, like the contracts of sale (Murabaha) and the contract of partnership (Musharakah) (Mirakhor, 2000; Warde, 2000). From a business perspective, the generation of money can take place only through trade and legitimate investments in assets and commodities, as money cannot be generated through interest. It has to come from somewhere else, but it can also come from production. Many Islamic financial tools and contracts have been developed to comply with these conditions. (Naqvi, 2003; Derbel, Bouraoui and Dammak, 2011)

To penetrate new markets and become competitive, Islamic financial institutions should study the consumers' selection process when choosing their bank. Studying the requirements and the aims of consumers in Muslim minority countries allows to meet their needs, merge these minorities in the financial system and allow banks to enhance their coverage to the needs of customers (Tsai, Hsu and Lin, 2011). Financial institutions should vary their services and adapt it to gain more market share, coverage and acquire more customers (Pont and McQuilken, 2005). Hence, understanding how consumers select their financial services and how do they feel toward a specific Banking methodology like Islamic banking is important (M. Bizri, 2014). Lu and Chan (2012) mentioned that religiosity and cultural factors affect individuals when making an investment decision. Literature of Islamic behavioural finance has shown that this is a bit general and what applies to a community does not apply to another. Other literature (see

Metwally, 1996; Metawa and Almosawi, 1998; Al-sultan, 1999) found that religion is the main motive for customers to deal with Islamic banking. Service and profitability were found important too. In Southeast Asia, contradicting findings were highlighted about religion. For example, in Malaysia Haron, Ahmad and Planisek (1994) found that service quality was the most important factor and that religion was not important. While Usman *et al.* (2017) found that religious belief has a major role in traditional groups where customers are very religious in Indonesia. This indicates that religion should be studied to understand how much it affects the selection process. Also, service quality and rationality might play a role in the selection process and should be considered.

On the other hand, religion was not an important factor in studies conducted on Muslim minorities. Gerrard and Cunningham (1997) did a survey in Singapore and found that the most crucial factor was service quality; they also mentioned that customers had a low level of awareness about the sector. In contrast, Abdullahi and Shaharuddin (2016) conducted a study in Macedonia to understand the potential for Islamic finance there. They found a fairly high level of awareness and high demand. These findings were contradicting based on the location and the methodology, but awareness proved to be worthy of study to understand its role in the selection criteria.

Some of the papers were done in the same location but with time gap and got different findings on Muslim minorities. Two studies have been conducted in the UK by Omer (1992) and Abdullrahim and Robson (2017). While the first study found that religion is the most important motive for Muslims to patronise Islamic banking and that customers are unaware of the mechanisms and contracts these banks use, the second study found that responsiveness and credibility were the most important factors for Islamic banking customers. These results encourage further studies on the behaviour towards Islamic finance due to other reasons, like awareness and pricing. For example, the culture of

Muslim minorities, their backgrounds and their demographic diversity are different from the culture and demographic factors in GCC countries or Malaysia. These aspects may affect their attitude and the results and comparison especially between a Majority and minority Muslim societies. Still, little has been done in the literature to understand the motives of Muslim minorities to deal with Islamic Banking compared to GCC countries and Malaysia.

3. TRA and development of hypotheses

3.1 TRA

The theoretical model adopted by this study is derived from the theory of reasoned actions (TRA), a theory introduced by Fishbein and Ajzen (1975). These authors developed TRA to show the effects of attitude, subjective norms and intentions on behaviour. The theory of reasoned action (TRA) says that the main predictor of whether a person is going to engage in a behaviour or not is his or her intention (Ajzen, 2005). This intention positively correlates with the performance of that action (Ajzen, 1991). As per the theory, two latent factors affect the intention of an individual, his attitude, and the subjective norms. Attitude is the evaluative effect of a positive or negative feeling of individuals in performing a particular behaviour. Consumers create their attitude based on a belief, emotion, knowledge or values (Willock *et al.*, 1999). While Subjective norm is the social influence on the individual and how much his surrounding community can affect his opinion. The model has been used in different empirical articles in psychology, marketing research and management. Although the model has empirically proved its validity, subsequent studies have shown the importance of modifying it to suit the particular research better (Md. Taib, Ramayah and Abdul Razak, 2008; Ramayah *et al.*, 2009). Other studies have suggested that adding the role of beliefs and religious motivation would help improve the predictive ability of the models (Godin and Kok, 1996).

Based on the proposed model, this paper tries to understand the factors affecting the intention of Muslims in Spain to select Islamic banking, by adding three latent factors acknowledging the specific setting in Spain, namely religious motivation, the rationality of the customer, and awareness. Furthermore, demographic factors are added in the logit model to try to determine the profile of a potential customer. Also, this study does not test subjective norms, because Islamic banking is not available in the market: the lack of experience might provide unclear results, and this factor is replaced by religious motivation (Figure 1). The model proposed is a simplified TRA model.

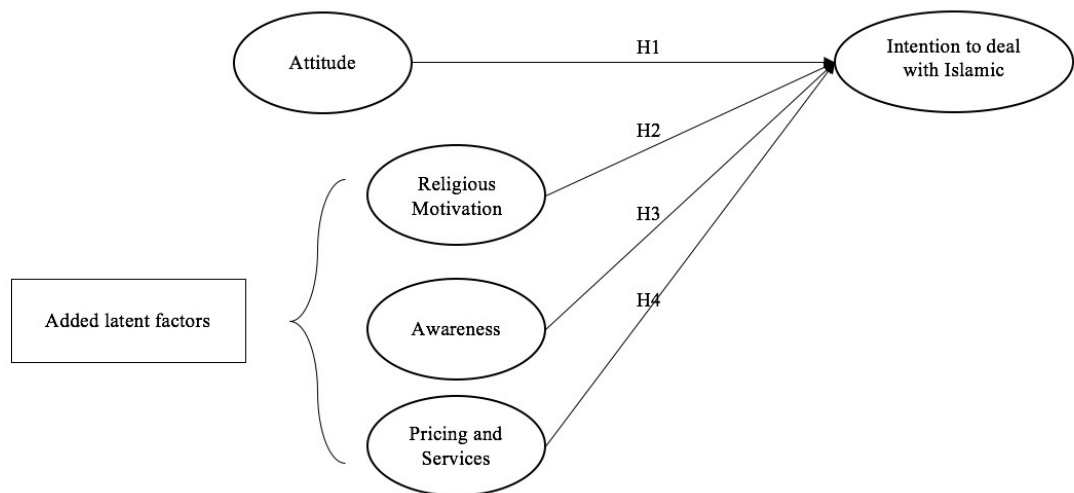


Figure 1: A conceptual Framework

3.2 Hypotheses development

3.2.1 Attitude:

Attitude has long been identified as a construct that guides future behaviour or the cause of an intention that ultimately leads to a particular behaviour. It has been considered as a forecaster of intention and can be used to predict future behaviour. In the theory of reasoned actions, attitude is referred to as the evaluative effect of a positive or negative feeling of individuals in performing a particular behaviour (Fishbein and Ajzen, 1975).

Many researchers focus on the relationship between attitude and intention using survey research, and some of this research is about Islamic banking and products. Using the theory of reasoned action, (Amin, 2012) found that attitude affects customers' intention to select an Islamic credit card in Malaysia. Furthermore, (Amin, Abdul-Rahman and Abdul Razak, 2013, 2014) found that attitude affects a customer's willingness to choose Islamic home finance. Hence the first hypothesis is:

H1. Attitude positively affects the intention to deal with an Islamic bank.

3.2.2 Religious motivation:

As Islam prohibits all kinds of interest, Muslims seek to obey their religion and therefore to deal with Islamic banks as an acceptable alternative to conventional banks. Islamic banks promote themselves as "Shariah-compliant" banks, or banks that work under the guidance and rules of Islamic jurisprudence. They offer profit based on risk sharing, not guaranteed interest. Islamic banks are obligated by governments and central banks in their respective countries to hire a Shariah committee, or an Islamic jurisprudence scholar, whose job is to monitor all the bank's activities and products and make sure they are Shariah compliant and can be approved. Previous literature has highlighted the influence of religion on customers' intention to use Islamic banking (Metwally, 1996; Metawa and Almosawi, 1998; Al-sultan, 1999; Naser, Jamal and Al-Khatib, 1999; Okumuş, 2005; Usman *et al.*, 2017). From these studies, the following hypothesis is proposed:

H2. Religious motivation positively affects the intention to deal with an Islamic bank.

3.2.3 Awareness:

The literature shows that Muslims have low awareness and 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. The previous literature has provided evidence of the importance of awareness as one of the factors affecting the patronage of Islamic banking. For instance, two studies have been conducted in Malaysia about the level of awareness of customers concerning Islamic banking: those by Ahmad and Haron (2002), and Hamid and Nordin (2001). The studies found that customers are aware of the existence of Islamic banking but are ignorant about the mechanisms and contracts used by these banks. Another study by Wahyuni (2012) in Indonesia found that knowledge is a major factor in accepting Islamic banking. Also, Sabirzyanov (2016) highlighted the positive correlation between the level of knowledge of customers about Islamic finance contracts and their willingness to deal with Islamic banks. So, the hypothesis here is:

H3: Awareness of the customer about Islamic banking products and contracts positively affects their intention to deal with an Islamic bank.

3.2.4 Service and pricing effect (the rational customer):

Royne Stafford (1996) mentioned that financial institutions compete in the open market with very similar products and services. This competition makes the quality of the service provided very important for financial institutions in pursue to acquire new customers and maintain current ones. Previous research into Islamic banking has found that service quality is an essential factor in patronising Islamic banking (Erol and El-Bdour, 1989; Haron, Ahmad and Planisek, 1994; Gerrard and Cunningham, 1997; Awan and Azhar, 2014; Ltifi *et al.*, 2016; Aaminou and Aboulaich, 2017). Another relevant aspect in

considering customers' rationality is pricing, which is referred to as an important factor concerning patronising Islamic banking. Consumers in the UK selected low prices as a top factor affecting whether they deal with an Islamic bank (Mansour et al., 2010). In Malaysia, the cost of financing played a major role in choosing a bank to patronise (Amin et al., 2011).

H4. good prices and service quality of an Islamic bank positively affect the intention to deal with it.

3.2.5 Demographic factors:

For this study to understand the profile of a potential Islamic banking customer, it seems appropriate to consider demographic factors. Demographic information helps to identify the characteristics of Islamic finance customers and also potential customers; in this study, we focus on gender, level of education, nationality (ethnicity), and age. The previous literature provides plenty of evidence on the importance of demographic factors with regards to bank selection. It has been shown that the influential demographic factors change from one culture to another. Gender is a primary variable in market segmentation studies for companies (Popcorn and Marigold, 2000). It is one of the most crucial variables in such studies (Darley and Smith, 1995). Thus, the first part of the fifth hypothesis is:

H5a: Consumers' gender significantly affects their intention to deal with Islamic banks.

The age of individuals may affect their behaviour toward product selection (Gretzel and Fesenmaier, 2009). For example, In Qatar, demographic testing showed that Islamic banking customers are mainly older people (Metwally, 2002). In Lebanon, Islamic

banking customers are employed and adult (M. Bizri, 2014). In Tunisia, Ltifi *et al.*, (2016) found that young adults (below 35 years old) are more likely to be influenced by Islamic banks. So, the second part of the fifth hypothesis is:

H5b: Consumers' age significantly affects their intention to deal with Islamic banks

Studies showed that other demographic factors might affect customer selection of Islamic Finance such as his level of education, his ethnic background and occupation (Sayani and Miniaoui, 2013). For example, In Qatar, demographic testing showed that Islamic banking customers are mainly employees on low incomes, people with moderate education, and those employed in the public sector (Metwally, 2002). Amin, Abdul-Rahman and Abdul Razak (2014) found that the demographics of customers play a role. So, the last part of the fifth hypothesis is:

H5c. Consumers' nationality and level of education significantly affect their intention to deal with Islamic banks.

4. Research methodology

4.1 Sample and data collection

The data collection process employs the *convenience sampling technique* because of the restricted access to all Muslims in Spain. This method is the most commonly used sampling technique in Islamic behavioural finance articles (Amin, 2012). The survey consisted of 14 questions covering attitudes, religious motivation, awareness, and service and pricing about Islamic banking. Furthermore, a second part included six questions focused on the demographic traits of the respondents. The final sample size of this study was 154. The individuals who answered this survey were Muslims residing in Spain, mainly Barcelona, and the data collection took place from February to April 2017.

To find a better approach to an internally diverse community, four data collectors of

different ethnicity were hired. Doubtful about the purpose of the study, individuals were initially afraid to answer, but later when they were approached by a data collector of the same ethnicity they cooperated.

The surveys were collected in the street called “Nou de la Rambla”, because of the sizeable concentration of Muslims living and shopping there. Data collectors approached people in the street asking them if they wanted to participate in a survey about Islamic banking, and they waited for the participants to finish the survey (the completion rate was 92%). 220 surveys were collected, but only 154 surveys qualified, after surveys completed by non-Muslim individuals, questionnaires that were not fully completed, and surveys completed by visitors to the city were removed. This paper follows a rule suggested by Hair Jr., Bush and Ortinau (2008) that the sample size should be at least five times the number of items in the questionnaire. The first 14 questions were measured by a 7-point Likert scale ranging from 1 (strongly disagree) to 7 (strongly agree). The survey was distributed in Spanish (see Appendix). The survey also included two questions about whether the respondent used a conventional bank in Spain and their satisfaction with that bank.

The demographic profile of the respondents is as follows. There were 105 males (68% males, 32% females). Regarding nationality, 52% of the respondents were from Pakistan, 10% from Morocco, 17% from Spain, and 21% from other nations, including Syrians, Gambians, and Bangladeshis. As for age distribution, 21% were between 18 and 25 years old, 30% between 26 and 35 years old, 35% between 36 and 50 years old, and 14% between 51 and 65 years old. Their level of education was also diverse, with 19% not having received a high school diploma, 10% reaching a high school diploma, 21.3% having obtained a degree from a trade/technical school, and 43% having graduated from university.

The respondents worked in 19 different types of jobs. It is worth noting that 12 of them were unemployed or housewives, and 47 worked either in sales or owned their business (Table 1).

Table 1: Demographic statistics

Nationality	Count (%)
<i>Morocco</i>	16 (10.4)
<i>Spain</i>	26 (16.9)
<i>Pakistan</i>	80 (51.9)
<i>Others</i>	32 (20.8)
<i>Total</i>	154 (100)

Age	Count (%)
<i>18 to 25</i>	32 (20.8)
<i>26 to 35</i>	46 (29.9)
<i>36 to 50</i>	54 (35.1)
<i>51 to 65</i>	22 (14.3)
<i>Total</i>	154 (100)

Level of Education	Count (%)
<i>Less than high school</i>	30 (19.5)
<i>High school</i>	16 (10.4)
<i>Trade/technical school</i>	42 (27.3)
<i>University +</i>	66 (42.9)
<i>Total</i>	154(100)

4.2 Survey Design Methods

The survey items and explanatory variables were mainly adapted from previous studies. The demographic questions were adapted from Zainuddin, Jahyd and Ramayah (2004) and M. Bizri (2014). The explanatory factors about attitudes towards Islamic finance

were adapted from Gerrard and Cunningham (1997), although these authors carried out their research in Singapore and no Islamic banking was on offer there at the time of the study. Furthermore, the items on attitude were adapted from Amin (2012) and Sabirzyanov (2016), while the variables related to the people's knowledge and awareness of Islamic products were adapted from Hamid and Nordin (2001). Before starting, a test survey was distributed in three versions to test the responses, and, each time, changes were made based on the feedback.

4.3 Factor Analysis

Kim and Mueller (1978) and Gorsuch (1997) explain that factor analysis is a statistical technique to reduce data and summarise them in underlying dimensions called factors. This is important if multiple correlated variables need to be reduced to a manageable number. The main job of factor analysis is to test the relationships between these correlated variables and to present them in groups of ideas or factors (Hair *et al.*, 1998). Factor analysis is an interdependence technique where each variable is taken into consideration, and all variables are correlated (Rummel, 1988). The factors are created to increase the understanding of the entire list of variables, not to forecast a dependent variable. The most common way to analyse factors is principal components factor analysis; in this method, all variables in the study are taken into consideration. This method is good if the main aim is to minimise the number of factors that explain the maximum number of variables in the study (Velicer and Jackson, 1990). This study used factor analysis to reduce the variables to their underlying factors, and then it used these factors with the logit method.

4.4 Logit: Brief Description

The logit and probit methods of statistical analysis, which are also called linear probability models, are a mixture of regression and discriminant analysis models (Draper and Smith, 1998). They are similar to regression analysis in that they use independent variables to predict a dependent variable. The main difference here is that in a regression, the dependent variable has to be numeric, while in logit and probit analysis the dependent variable can be binary (categorical). Logit and probit analysis is different from discriminant analysis in that it accepts all independent variables (categorical and numeric), and the assumption of multivariate normality is not required (Hagle and Mitchell, 1992).

5. Results

5.1 Data analysis

Stata version-13/MP was used to analyse the data. Exploratory factor analysis was used to analyse the data and extract the underlying factors affecting the intention to deal with Islamic banking. This statistical technique was used because of its potential to reduce a large number of variables to a smaller number of factors that give information about the underlying idea represented by these grouped variables (Gorsuch, 1983). To check the adequacy of the sample for factor analysis, the KMO (Kaiser–Meyer–Olkin) test and Bartlett’s Sphericity test were performed on the data (see Table 2). For the KMO test, the value has to be higher than 0.7 for factor analysis to be acceptable and the pairs of variable correlations to be explainable by other variables, as per Kaiser (1974). By using principal component analysis (PCA), the factor analysis brings relevance because of its ability to confirm the validity of the constructed scale. Each factor with an eigenvalue of more than 1 was used. This research does not presume any correlation between the expected constructs. Hence, the Varimax factor loading technique was considered and PCA were

considered. Any value less than 0.6 was not considered, bearing in mind Nunnally's (1978) recommendations. The extracted factors were named by their expected theoretical groupings.

Table 2 provides the results of the factor analysis for determining which variables affect the intention to deal with Islamic banking. The size of the sample was adequate for the factor analysis method, and the KMO value was 0.7294, meaning that it was adequate for factor analysis (Kaiser, 1974). As a result, three main factors emerged, namely, “attitude”, “religion and awareness” and “rational customer”. Each factor consisted of three variables (Table 2). Intention to deal with Islamic banking was not included in the factor analysis as it is the dependent variable. The demographic conditions were added to the regression later. This approach is similar to that of Bizri (2014). This study also used the Cronbach alpha as a reliability test for the generated factors. The Cronbach alpha for each factor is provided in Table 2. The Cronbach alpha for each factor exceeded 0.7 (Hair *et al.*, 1998), and hence the measured constructs can be properly considered from a reliability point of view. After the factor analysis, logistic regression analysis (Table 3) was used to understand the effect of the factors extracted and demography on the binary dependent variable (“If Islamic banks started to operate in Spain, I would definitely deal with them”). The importance of logit is to determine which of the generated factors has a greater effect on the intention to deal with Islamic banking. The demographic characteristics were controlled for in the logit analysis, to understand their effect. After considering multicollinearity, one of the demographic factors (type of work) was removed as it showed collinearity with nationality. Also, the global significance test of the model was performed, with the X^2 significance level of the model being 0.0000; thus, the null hypothesis was rejected, and the fitness of the model appears to be excellent. From the classification test, the accuracy of the model reaches 95.45%. The average

marginal effect approach was also used, for a better understanding of the margins (Hair *et al.*, 2010) (Table 3). The results specify that attitude, “religious motivations and awareness”, and demographic factors are positively related to the intention to deal with Islamic banking ($p < 0.05$). This means that the stronger the attitude, the religious motivations and awareness of Islamic banking, the higher the intention to deal with Islamic banking.

5.2 Hypotheses testing and discussion of results

Table 3 shows the logistic regression results for the three factors and the demographic factors. The results indicate that two constructed factors, namely attitude and religious motivation and awareness, are positively correlated with the intention to deal with Islamic banking. Attitude is correlated with the intention to deal with Islamic banking at the 1% significance level (p value = 0.001). Also, “religious motivation and awareness of Islamic banking” is positively correlated with the intention to deal with Islamic banking, but at the 5% significance level (p value = 0.028). Hence H1 and H2 are supported. These findings are consistent with previous studies like those of Amin (2012), Amin *et al.* (2013, 2014) and Sabirzyanov (2016), where a positive correlation between attitude and intention to use Islamic banking or Islamic products is confirmed. Regarding religious motivation, studies like (Omer, 1992; Metwally, 1996; Metawa and Almosawi, 1998; Al-sultan, 1999; Naser, Jamal and Al-Khatib, 1999; Okumuş, 2005; Usman *et al.*, 2017) have proved the relationship between religious motivation and intention to use Islamic banking. Thus, the more positive their attitude and the stronger their religious motivation, the more likely Muslims in Spain are to deal with Islamic banking. This result supports the theoretical propositions of the TRA and its usage in Islamic behavioural finance. The marginal effect for attitude is 11.73%.

Table 2: Factor analysis, Cronbach alpha and KMO

Statements	loading	Var. exp.	Eigen	Alpha
<i>Attitude</i>		25.42%	3.264	0.855
Islamic finance in general represents the true values of Islam	0.823			
Islamic finance represents fairness and justice	0.814			
I feel respect towards the Islamic finance industry	0.843			
<i>Religious motivation and awareness</i>		23.02%	2.776	0.936
The most important motivation to deal with Islamic finance is that it is Islamic	0.968			
I need to understand Islamic finance contracts and the way they work before I deal with them	0.963			
I totally understand Islamic finance mechanisms and contracts (Murabaha, Ijarah, and Musharakah)	-0.882			
<i>The rational customer choice</i>		21.89%	2.398	0.909
I would prefer to deal with a conventional bank more than an Islamic bank if the service and pricing in the conventional bank were better	-0.956			
I will choose the best bank no matter whether it is Islamic or conventional	0.881			
I believe there is no difference between Islamic banks and conventional banks, only in name	0.899			

Notes: Principal component analysis with Kaiser normalisation, Varimax rotation, KMO = 0.7294; Bartlett's test of Sphericity = $\chi^2 = 1257.74$ (p=0.000), variance explained = 70.33 per cent

H3 is also supported through the “religious motivation and awareness” Factor. The need to know more about Islamic banking was positively correlated with the intention to deal with Islamic banking (Table 3). This result is in line with the findings of Erol, Kaynak and Radi (1990), Ahmad and Haron (2002) and Hamid and Nordin (2001), in that customers are aware of the existence of Islamic banking but are not educated about its contracts and mechanisms. Furthermore, this result contradicts the findings of

Sabirzyanov (2016), who just stressed the level of awareness of customers. The marginal effect of religious motivation and awareness is 6.56%, implying that for every unit increase in this factor the probability of dealing with Islamic finance increases by 6.56%.

Table 3: Logit regression and margins for prospective use of Islamic finance

	Logit			Delta
	Coeff.	Std. Err.	Margins	Std. Err.
Intention to deal with Islamic banking				
Attitude	2.6453***	0.8141	0.11733***	0.0300
Religious motivation and awareness	1.4806*	0.6746	0.06567*	0.0282
The rational customer choice	-0.3900	0.4451	-0.01730	0.0196
<i>Nationality</i>				
Morocco	-2.2489	1.8923	-0.11188	0.1056
Spain	-0.2634	1.3615	-0.00936	0.0498
Others	-2.7397*	1.3705	-0.14524*	0.0741
<i>Age</i>				
26 to 35	-0.1613	1.4009	-0.00628	0.0541
36 to 50	-0.9667	1.3072	-0.04338	0.0534
51 to 65+	1.3172	1.7147	0.03997	0.0511
<i>Level of Education</i>				
High school	-1.0190	1.8846	-0.02892	0.0568
Technical education	0.4987	1.6766	0.01030	0.0345
University degree+	-2.9178*	1.4852	-0.12397***	0.0468
<i>Male</i>	2.3793*	1.1688	0.10553*	0.0482
<i>_cons</i>	5.5289*	2.5252		

Note: ***and *denote significance at the 0.01 and 0.05 levels, respectively

The third factor, which was called rational customer choice, was found to be negatively correlated with the intention to deal with Islamic banking but was not significant (p value 0.381), and hence H4 is rejected. This finding is not in line with the findings of Aaminou and Aboulaich (2017), Amin *et al.* (2011) or Bizri, (2014) who found pricing and service

quality to be important indicators of patronage of different banking services and products offered by Islamic banks.

With regards to the fitness of the model, McFadden's Pseudo R^2 reached 0.5712, which should be considered to be high (McFadden, 1973), with $\text{Chi}^2 = 0.0000$ being statistically significant.

Concerning the demographic factors, the model provided important information about the personal characteristics of the potential Islamic banking customer. All three major nationalities of the Islamic community in Spain (Spanish, Moroccan, and Pakistani) did not show any significance, while the other nationalities (Gambians, Bangladeshis, Jordanians, etc.), for which there were fewer people, showed a negative correlation with the intention to patronise Islamic banking but at the 5% significance level (p value 0.028), compared to the base group (Pakistanis). Apparently, less well-established communities do not seem to be so likely to deal with Islamic banking, as the probability of dealing with Islamic banks decreases by 14.52% if the person belongs outside the major Muslim groups. This can also be explained by specific subjective norms that minorities probably have towards Islamic banking.

Also, none of the education levels, below holding a university degree, showed any significance in relation to dealing with Islamic banking, while those who hold a university degree, or a higher qualification were less likely to use Islamic finance at the 5% significance level ($p = 0.049$), which means the probability of dealing with Islamic finance decreases by 12.39% in people who hold at least a university degree. This might be because those people have less religious motivation and a more rational approach. Hence H5c is supported. Furthermore, the probability of dealing with Islamic banking increases by 10.55% if the customer is male rather than female, which may be because of the dominant male effect in these communities, which should not necessarily be

associated with masculine values, as implied by a relatively low degree (between 42 and 53 /100) on Hofstede's cultural dimensions for the three nations (Spain, Morocco and Pakistan)³. The results thus show that H5a is supported. While age did not show any significance toward the intention to deal with Islamic banking and hypothesis H5b is not supported.

From these results, the profile of the potential Islamic banking customer would be as follows: the main audience will be the members of the main components of the Muslim community (Spanish, Moroccan, and Pakistani Muslims), will be male, will have a level of education lower than a university degree, will have a positive attitude towards Islamic banking, will be motivated by religion, and will be ignorant about Islamic finance tools and mechanisms.

5.3 Rival analysis

The survey asked participants if they had a conventional current account and asked about the level of satisfaction with their experience with conventional banks. All the participants acknowledged that they had conventional accounts in Spanish banks, and their level of satisfaction varied, with the satisfaction level being measured on a Likert scale. All answers from 'slightly agree' to 'strongly agree' were considered as (1), while the other answers (neutral, slightly disagree, and strongly disagree) were considered as (0), and hence we had our second dependent variable, "satisfaction with conventional banking".

When running the logit model, the satisfaction level was exclusively and significantly affected by the nationality, with Pakistanis being the least satisfied group, followed by Moroccans (if compared to the base group, composed of other nationalities); Spanish

³ <https://www.hofstede-insights.com>

nationals showed higher satisfaction than Pakistanis and Moroccans. Also, “other nationalities” showed a higher level of satisfaction. This might be caused by the fact that those two groups of minorities in Spain, Pakistanis and Moroccans, are large enough to build their communities and are not fully integrated into the society. This dissatisfaction might encourage those people to deal with Islamic banking as an alternative to the current banking solutions and might be a motive for change their bank to an Islamic bank (Table 4).

Table 4: Logit regression and margins for satisfaction with conventional banks

Nationality	Coeff.	Margin
<i>Pakistan</i>	-4.890349***	-0.8250***
<i>Morocco</i>	-4.65396***	-0.8125***
<i>Spain</i>	-1.13498	-0.1827
_cons	1.94591***	

Note: ***and *denote significance at the 0.01 and 0.05 levels, respectively

6. Conclusions and implications

6.1 Conclusion

The study contributes towards determining the factors affecting patronage of Islamic banks among the Muslim community in Barcelona - Spain, and towards shaping a profile of potential Islamic banking customers in Barcelona - Spain. The study showed the intention of Muslims in Barcelona - Spain to deal with Islamic banking, with the main factor being their attitude towards Islamic banking. This is the basic factor in the TRA. The results also showed that Muslims in Barcelona - Spain are ignorant about Islamic

banking and do not know much about the mechanisms and contracts that Islamic banking uses, but that they want to know more. Religious motives were high in this community, and the participants made it clear that their approach towards Islamic finance was influenced by their religion.

From a demographic perspective, the main nationalities of the Muslim communities (Spanish, Pakistani and Moroccan) did not show a higher relative inclination towards Islamic finance, while all other nationalities showed negativity towards Islamic banking. From a gender perspective, males showed a greater tendency towards Islamic banking. The education results were surprising: all those with a university degree or higher degree (master's and PhD) showed a negative attitude towards Islamic banking, meaning that the more educated the potential customer, the lower the interest in Islamic banking.

6.2 Implications

The study adds to the literature in the Islamic behavioural finance field by opening the door for more studies on minority decision-making especially when it comes to dealing with Islamic banking and Muslims' low satisfaction with their current banking choice. Only a few studies have considered these minorities from an Islamic behavioural finance perspective. The study also adds value to the Islamic finance field by shedding light on the promising market in communities like Muslims in Barcelona - Spain and the importance of Islamic finance for those minorities as a religious identity supporter as first and second generations immigrants (Hirschman, 2004), taking in consideration the fact that generally, the Muslim minority in Spain is more integrated into society than Muslim minorities in other European countries (Metroscopia, 2010).

The study shows that it would be easy for Islamic banks to penetrate this market because of the high emotions, positive attitude, and religious motivation of customers towards Islamic banking: this gives these banks an advantage, allowing them to enter the

market of Islamic communities in Barcelona - Spain easily. Also, Islamic banks and Islamic education institutions have a huge task in educating customers about Islamic banking and mechanisms. This might help to increase the development of Islamic banking. Furthermore, developing Islamic finance services in Barcelona - Spain might increase the participation of Muslim communities in banking, thus encouraging off-banking money to flow into the formal financial sector again. Also, it could help the Muslim minority to participate in financial activities effectively and could help to attract international capital into the country through acceptable forms of Muslim jurisprudence. This might also help these minorities to integrate better into the wider community. The results show that attitude, religious motivation and awareness strongly influence the decision to deal with Islamic banking.

When it comes to the profile of the ideal client, it is suggested that the best way to penetrate the market is to target the more religious, less well educated and male individuals in this market. In the case of more educated (and most probably higher income) individuals, price and services may play a significant part. Raising awareness among the better-educated people in the society may be required. This also highlights the importance of empowering Muslim women and raising awareness of Islamic banking among them in this minority. This is similar to the financial situation of women in Bangladesh, as they were prohibited from dealing with money until Dr. Muhammed Yunus of Grameen Bank started his small loans of \$27 to Bengali women. These women later constituted an important market segment for the banks (Yunus, 2003).

6.3 Limitations and suggestions for further research

This study used a sample size of 154 participants and was conducted in Barcelona in Spain, with the rest of the country being overlooked. The results may not apply to all Muslims in Spain. More research is required for future efforts in other geographical areas

in Spain and Europe. Also, this study does not consider attitude as a moderator. Furthermore, other factors, like other demographical and cultural factors, could be taken into consideration in future research.

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Chapter 3: Factors affecting customers' attitude towards Islamic banking in UAE

Abstract

Purpose - The present study investigates the effects of the following factors: image; awareness; Shariah compliance and individualism, on the attitude and intention of customers to use Islamic banking among Bank customers in UAE, and the mediating role of attitude in that model, using a theoretical model based on the Multi-Attribute Attitude Model, the theory of reasoned actions and the theory of planned behaviour.

Design/methodology/approach - The research will focus on surveying bank customers living in UAE. The researcher will use structural equation modelling to analyse the data.

Findings - Results show that attitude and awareness affect intention directly, while image, awareness, Shariah compliance and individualism affect attitude directly and affect intention indirectly mediated by attitude.

Research limitations/implications - The sample size includes 178 bank customers living in three cities in UAE. Hence, the rest of the country is not included.

Practical implications - The research shows the importance of Shariah compliance, individualism and image on attitude and intention and provides suggestions for banks to benefit from these aspects to widen their customer base.

Social implications - The study provides an insight into individuals' decision making and the importance of a social approach by banks when advertising.

Originality/value - The research is the first empirical attempt to test new factors affecting attitude towards Islamic banking in UAE.

Keywords: Islamic finance, attitude, patronage factors, structural equation modelling, United Arab Emirates.

1. Introduction

Islamic banking started to appear in the United Arab Emirates among privately owned banks with the establishment of Dubai Islamic Bank in 1975, which was the first ever private Islamic bank. Since then, the UAE economy has had a mixed banking system with Islamic and conventional banks working side by side. Following the expansion of banking sector in Gulf Cooperation Council countries (Al-muharrami and Murthy, 2017), many conventional banks in the UAE opened Islamic windows (an Islamic Department in a conventional bank that offers Islamic banking products and services). UAE has 23 banks including 8 Islamic banks. By the end of Q1 – 2017, the total number of assets for all banks working in the UAE reached AED 2,648.3 billion out of which AED 520 billion is Islamic (19.6%) (Central Bank of the UAE, 2015). This growth provides an indication that Islamic banking has and will continue to have an important role in the economy of this country. However, without understanding customer preferences and attitude, Islamic banks will not be able to focus on future growth and the way to steer it in order to improve their efficiency and profitability. Based on this, this study aims to test the factors affecting customer attitude and preference. The fact that UAE is the oldest mixed Banking economy makes it a good environment to test the current intentions and attitudes of customers towards Islamic banking. After more than 40 years of Islamic banking services, the market has developed a mature overview towards these banks. The community is predominated by Muslims there. This setting can help understand the behaviour after the experience of dealing with Islamic banking is introduced and where the community has shaped a proper understanding of it and its mechanism. Also, it can help comparing with the first chapter and understand the change in behaviour after the experience is introduced. Even though several studies were conducted in UAE to address consumers behaviour towards Islamic finance, none of the studies examined the role of Shariah

compliance in this behaviour and how much consumers think these banks are compliant with the Shariah and whether it is important after 40 years of operations. Did customers' behaviour change? Are consumers dealing with Islamic banks for the same reasons they did when it started? Furthermore, this study tests the role of individualism and awareness in choosing an Islamic bank. Did the awareness of customers is better in countries where Islamic banking is operating for a long time? How does this affect their attitude and intention to deal with Islamic banking?

UAE as a cultural and ethnic mix is unique. The official religion of the UAE is Islam, with 76% of the population following it, taking into consideration that 80% of the population are non-citizens. All of the UAE citizens are Muslims, and the majority of the residents are also Muslims; they descend from South and Southeast Asia, the Middle East, Europe, Central Asia, the Commonwealth, and North America. While Muslims make up 76% of the population, Christians account for 9%, and others like Hindus and Sikhs constitute 15% of the UAE population. The UAE's judicial system is derived from both Islamic Jurisprudence and common law. Moreover, the court system is similarly derived partially from Islamic Jurisprudence, and the UAE's civil and criminal courts use parts of Sharia law that are embedded in their criminal and family law (Department of State US, 2016). The average GDP per capita in UAE in 2016 was USD 67,871 as per the International Monetary Fund⁴, placing it among the top ten countries worldwide, ranking higher than Switzerland and the United States.

While previous studies have explored customers' intention towards Islamic banking, few have mentioned attitude as one of the factors affecting intention and fewer have tried to understand the variables that influence the attitude of customers towards Islamic banking. (Md. Taib, Ramayah and Abdul Razak, 2008; Md Husin and Ab Rahman, 2016;

⁴ http://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEO_WORLD

Amin *et al.*, 2017)

This study will examine the variables that affect the attitude of customers towards Islamic banking in UAE and its relationship with attitude and intention, adopting a theoretical framework derived from the Multi-Attribute Attitude Model, the theory of planned behaviour and the theory of reasoned actions. The model here is modified to include only attitude plus a few variables affecting attitude.

The importance of this study comes from its focus on a specific market (the United Arab Emirates) with all its features mentioned above. The study is organised as follows: Section 2 covers the literature review; Section 3 discusses the theoretical framework and develops the hypotheses. Section 4 presents the sample and research methodology. In Section 5 the results are presented, and Section 6 includes a discussion, conclusion and implications.

2. Literature review

Islamic law, or Islamic jurisprudence in commercial transactions, emphasise the prohibition of usury and uncertainty. It focuses on achieving social and economic justice by balancing the personal and social needs with the moralities of that society. As per Al-Ghazzali (1937), the aim of Islamic laws in the economy is justice distribution. Commercial transactions have to be free of exploitation, inequalities and monopoly. The concept of financing in Islam differs from conventional practice, where money generates money by the factor of time using interest. In Islam, money cannot generate money unless it is used in a commercial transaction where an underlying commodity is used. The Quran prohibits any financial activities that include interest. Islamic banking is a religiously approved interest-free alternative to the current conventional banking, positioning itself as an owner of wider ethical and proper matters other than just the prohibited interest transactions. The main two reasons to establish Islamic banking as per Khir, Gupta and

Shanmugam (2008) are: first, to fulfil the personal need to grow wealth. And second, to channel financial resources to eligible transactions to facilitate the movement of funds in a Shariah-compliant methodology. Similar to other banks, Islamic banks' main aim is to make a profit, but while respecting the jurisprudence of Islam.

In UAE, few studies have been conducted about the relationship between customers and banks with contradicting results, Jamal and Naser (2002) conducted a study about customer satisfaction with banks in UAE and found that service quality is the main factor to achieve satisfaction. Jabnoun and Khalifa (2005) agreed in their finding with Jamal and Naser (2002) about the importance of service quality; they did a study on service quality factors in UAE banks. For customers of Islamic banks, personal skills and values were important to determine service quality, while image and values were important for determining service quality for customers of conventional banks. In contrast, Al-Tamimi, Lafi and Uddin (2009) did a study about the views and loyalty of customers in UAE towards banks. They found that most customers in UAE prefer banking with Islamic banks, and although they are not satisfied with the products or service quality, they have a positive image of their banks. The effect of the image has been highlighted in the studies of Jabnoun and Khalifa (2005) for conventional banks and Al-Tamimi, Lafi and Uddin (2009) for Islamic banks. Sayani (2015) findings also confirmed the role of bank reputation in the relationship between conventional banks and consumers. He found that customers of Islamic banks are satisfied with the accessibility and Shariah factors, while the reputation factor was important when dealing with conventional banks. A previous study by Sayani and Miniaoui (2013) about the same subject confirms the later results about the importance of religious preference to distinguish Islamic from conventional banks. These studies conducted in UAE focused on the roles of image and service quality in building satisfaction and loyalty, and the importance of religious factors in

differentiating Islamic banks. None of them has discussed the attitude of these customers toward Islamic banks in the modern context. The literature has covered this point in other countries and found numerous factors affecting individual's decision to deal with Islamic banking. For instance, some studies (Erol and El-Bdour, 1989; Awan and Azhar, 2014) have highlighted the importance of bank image, mass advertising of the bank, the brand and the prestige of the bank main factors for its selection. While other studies (Lee and Ullah, 2011; M. Bizri, 2014; Ltifi *et al.*, 2016; Aminou and Aboulaich, 2017) found that Shariah compliance or trust that the bank is following Shariah is the main factor to patronise it. Further studies (Omer, 1992; Haron, Ahmad and Planisek, 1994) have focused on the importance of knowledge of Islamic contract mechanisms as a factor to patronise them. Jinjiri Ringim (2014) found that the most important factor for Nigerian Muslims to patronise Islamic banks was perception. Rashid, Hassan and Ahmad (2009) found that religion, depositors' desire to maximise profitability, the convenience of the system, "service quality and consistency", and a better cost-benefit effect are the most important factors affecting customers' decision to choose an Islamic bank.

From an Attitude perspective, fewer studies have focused on understanding the factors affecting the attitude of customers toward Islamic banking and the usage of the theory of planned behaviour and the theory of reasoned actions as their theoretical model. Most of these studies modified the original model to include other factors. For instance, Amin, Abdul-Rahman and Abdul Razak (2013) used the theory of planned behaviour to test the Islamic home financing adoption in Malaysia. The study adds several functions to the original framework of the theory of planned behaviour like "simplicity" and "relative advantage". The study found that these two factors affected attitude and identified attitude as a mediator between these factors and the intention to adopt Islamic home finance. Also, Md Husin and Ab Rahman (2016) also used the same theory to understand the acceptance

of Islamic insurance; the model also was modified to include Awareness, knowledge and exposure, which were found to influence attitude significantly. Also, Sabirzyanov (2016) added awareness as a factor affecting attitude in the model, and the results showed an important effect of awareness on attitude. While Amin et al. (2017) added service quality, product choice and Islamic debt policy to the original theoretical model.

3. Theoretical framework and hypotheses development

3.1 Theoretical Framework

The main theory this study is built on is the Multi-Attribute Attitude Model (Fishbein, 1963; Jahoda and Fishbein, 1968), which shows that what customers feel towards an object is due to two main factors: the customer belief on whether this object possesses certain merits and the customer evaluation of these merits. (Schiffman and Kanuk, 2007). In addition to this theoretical model, the theory of reasoned actions and the theory of planned behaviour have been considered to highlight the relationship between attitude and intention. The Intention of an individual is defined as the sum of work a person is willing to apply to reach a goal (Ajzen, 1991). The theory of reasoned actions (TRA) presented by Fishbein and Ajzen (1975) shows that intention is a function of two determinants, his or her attitude towards the act and the subjective norms or the social influence. It identifies attitude as an important indicator of intention. TRA has been used in the literature of Islamic behavioural finance (Md. Taib, Ramayah and Abdul Razak, 2008; Amin, 2012; Sabirzyanov, 2016), by applying this theory into empirical Islamic finance studies, the results were found to be in line with the theory proving its validity.

The theory of planned behaviour is a development of the theory of reasoned actions, also developed by Fishbein and Ajzen (1975). This theory introduces perceived behaviour as a new indicator of intention in addition to the attitude and subjective norms. This theory

was used in a few studies on Islamic banking and economics. Studies (Amin, 2012; Amin, Abdul-Rahman and Abdul Razak, 2014b) applied the theory successfully and extended the model to include further determinants like “religiosity” and “Islamicity of product”. The usage of those three theories in one theoretical framework is important to provide factors affecting attitude, and indirectly affecting intention, this can help in understanding the direct and indirect effect of these factors on attitude and intention.

In this study, attitude is considered to be a function of awareness, the image of the bank, individualism, and the Shariah compliance of the Islamic bank. These determinants were considered due to previous studies that indicated that the image of the bank is important in selecting Islamic banking (Erol and El-Bdour, 1989), and the criticism that the awareness of customers is low in general and affects the patronage of Islamic banks. Furthermore, criticism about the Shariah compliance of banks, shown in previous studies, may affect the patronage of Islamic banks; this will be discussed further in the next sections.

Individualism is a new factor to be tested among factors affecting the patronage of Islamic banking, but previous literature has shown its effect on attitude in behavioural finance studies. The Multi-Attribute Attitude Model has been modified in this study to adapt to the context of this study. The model of this study is presented in **Figure 1** (a conceptual framework).

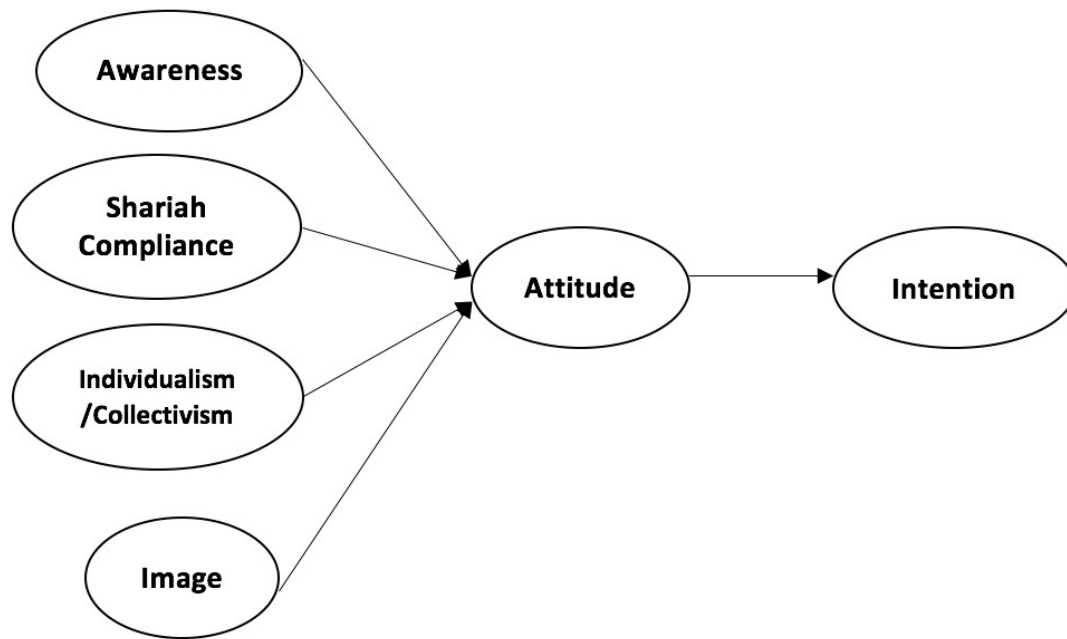


Figure 1: A conceptual Framework

3.2 Hypothesis development

3.2.1 The image of the bank:

Image is, from an organisation perspective, the chain of thoughts that comes to mind when an individual recalls the name of that organisation (Nguyen and Leblanc, 2001). According to Lee, Lee and Wu (2011), image is the final result of a customer's notion, understanding, interaction and experiences related to a specific company.

Studies in Islamic finance related to behaviour and patronage factors found that the most important aspects in choosing a bank (Islamic or conventional) are the reputation of the bank and its prestige, highlighting the importance of image on customer attitude towards Islamic banks (Erol and El-Bdour, 1989). Furthermore, Awan and Azhar (2014) mentioned that one of the main factors in patronising Islamic banks is mass advertising. Ahmad and Haron (2002) in their study recommended more marketing for Islamic

banking due to its importance in patronising Islamic banking. Arshad, Zahra and Draz (2016) found that for Islamic banks, satisfaction influences image which influences trust, and image influences the intention to switch bank at a customer level. All these literature suggest the importance of image on attitude towards Islamic banking. Reza Jalilvand, Shahin and Nasrolahi Vosta (2014) found in their paper that brand loyalty and awareness have an important effect on the attitude of customers towards Islamic banks. Hence the first hypothesis in this study is:

H1: Image of the bank has a positive direct influence on the attitude of customers towards Islamic banks.

3.2.2 Shariah compliance:

Shariah compliance is the customer's perception that Islamic banking transactions are free from prohibited acts and procedures like Riba (interest) and Gharar (uncertainty), that is in line with the Islamic jurisprudence outlined in the Quran and the Sunnah (Ahmad et al., 2008).

Previous studies on patronising Islamic banking mentioned Shariah compliance as an important factor affecting customers' attitude to patronise Islamic banks. Lee and Ullah (2011) found in their paper that customers have high respect towards the Shariah compliance aspect to the extent that if Shariah is repeatedly violated in the chosen bank, customers tend to change their bank to a different Islamic bank. Also, Amin, Abdul-Rahman and Abdul Razak (2014a) tested how customers accept the Islamic home finance and discovered that the islamicity of the product is one of the most important variables in determining the acceptance of this product in the Malaysian market. Amin, Abdul-Rahman and Abdul Razak (2014b) found religious satisfaction is one of the most

important variables affecting customers' decision to choose Islamic home finance. Wajdi Dusuki and Irwani Abdullah (2007) mentioned that the level of bank compliance with Shariah principles is one of the important factors for customers to patronize Islamic banks in Malaysia. Also, Saqib, Farooq, and Zafar (2016) highlighted the moderating effect of Shariah compliance between service quality and customer satisfaction in Islamic banks. Hence the second hypothesis is:

H2: Non-Shariah compliance in banks has a direct negative effect on the attitude of customers towards Islamic banks

3.2.3 Individualism/collectivism:

As per Gladwin and Hofstede (1981), individualism is a belief backed by culture that the individual has to take primacy, while collectivism is the belief that community has primacy. Hofstede considers collectivism/individualism as a dimension of culture, and it can assist in understanding people's behaviour and their attitude (Hofstede, 2002).

Several studies have made links between individualism and attitude, such as Kashima et al. (1992). Volkema (1998) mentioned that there tends to be a better relation between a person's attitude and behaviour if he or she is an individualist rather than a collectivist, as collectivists have an inclination towards a moral attitude. Also, Pitlik and Rode (2017) in their paper, identified two types of individualism relevant for attitude formation: self-direction ('social' individualism) and self-determination ('economic' individualism). Their paper provides a clear indication of the influence of individualism on attitude, especially the economic individualism aspect. The paper's results show that all individualistic qualities are correlated negatively with intervention attitudes.

A paper prepared by Anwar and Chaker (2003) in UAE, suggested that individualism

or collectivism is a personal attribute irrespective of the individualistic or collectivistic society in which people live. Based on the previous literature which suggests that individualism can affect attitude, the third hypothesis is:

H3: Individualism has a direct negative effect on the attitude of customers towards Islamic banking.

3.2.4 Customers' awareness of Islamic banking contracts and mechanism:

Many previous studies have highlighted the importance of awareness and knowledge about Islamic banking contracts and the decision-making mechanism for patronizing Islamic banking. An important study was conducted by Sabirzyanov (2016) , who used the theory of planned behaviour in understanding how customers feel about dealing with Islamic banking. His research confirmed that there is a significant influence of awareness on attitude. Furthermore, another important study conducted in UAE by Bley and Kuehn (2004), examined the level of knowledge Muslims had about Islamic banking contracts and mechanisms, among students in the UAE. They found that Arabic Muslims showed a better level of understanding of the Islamic banking mechanism than non-Arabic Muslim students. And they mentioned that the overall level of education about Islamic banking is low. Other studies like Hamid and Nordin (2001) and Wahyuni (2012) found an influence of awareness about Islamic contracts and mechanisms on the decision to deal with Islamic banking. Md Husin and Ab Rahman (2016) mentioned that awareness and knowledge have influence on the decision to deal with Islamic insurance. Jamid Ul Islam and Zillur Rahman (2016) mentioned in their paper conducted in India that most consumers there are ignorant about Islamic finance contracts and mechanisms,

but they showed a willingness to learn in order to deal with Islamic banks. Hence the fourth hypothesis is:

H4: Customers' low level of awareness about Islamic banking concepts and mechanism has a negative direct effect on their attitude towards Islamic banks.

3.2.5 Attitude:

Attitude is defined as the evaluative influence of feelings on persons when following a specific behaviour (Gopi and Ramayah, 2007). In the theory of reasoned actions, attitude is referred to as the evaluative effect of positive or negative feelings of individuals in performing a particular behaviour (Fishbein and Ajzen, 1975).

Many empirical studies on Islamic banking have focused on the relationship between the intention of patronizing Islamic banking and customers' attitude, and how attitude affects this intention. Many studies on Islamic banking have found an influence of attitude on customers' intention to deal with Islamic banking (Amin, 2012; Amin, Abdul-Rahman and Abdul Razak, 2013, 2014a; Sabirzyanov, 2016). Hence the fifth hypothesis is:

H5: Attitude has a positive direct effect on customers' intention to deal with Islamic banking.

This study also considers the indirect effect of variables on the intention to deal with Islamic banking mediated by attitude. The mediating effect of attitude is important to study in this paper in order to provide a better interpretation and a new contribution to the field (Shi, Shambare and Wang, 2008). Chen, Gillenson and Sherrell (2004), Kleijnen, Wetzels and de Ruyter (2004) and Yasin et al. (2009) found that attitude is a good

mediating variable. Also, Sarina Ismail et al. (2007) mentioned that attitude mediates the relation between intention and other variables. This study tries to extend this idea to the Islamic finance field and the model of this study based on the proposed model and the previous literature that found a relationship between these factors and intention. For instance (Erol and El-Bdour, 1989) found that the image of the bank is important in selecting Islamic banking, Amin, Abdul-Rahman and Abdul Razak (2014b) found religious satisfaction is one of the most important variables affecting customers' decision to choose Islamic banking product. Volkema (1998) suggested a relationship between a person's individualism and behaviour. Lastly, Wahyuni (2012) found an influence of awareness on the decision to deal with Islamic banking; hence the last four hypotheses are:

H6. The effect of image on intention to deal with Islamic banks is mediated by customer attitude.

H7. The effect of awareness on intention to deal with Islamic banks is mediated by customer attitude.

H8. The effect of Shariah compliance on intention to deal with Islamic banks is mediated by customer attitude.

H9. The effect of individualism on intention to deal with Islamic banks is mediated by customer attitude.

4. Methodology

4.1 Data description and sample collection process and demographics

The data collection process employs the convenience sampling technique due to the restricted access to the actual number of bank customers in UAE. This method is the most used sampling technique in Islamic behavioural finance articles (Amin, 2012). The survey

was of two parts. The first part consisted of 18 questions, focused on latent factors, and the second part consisted of 5 questions and focused on the demographic information of the respondents. The sample size of this study was 178. The individuals who answered this survey were customers of Islamic and conventional banks residing in the UAE (7 non-Muslims and 171 Muslims). The data collection happened from April to June 2017. Two different survey collectors were hired to collect this survey, one for each language; the survey was collected in Arabic and English.

The surveys were collected in three different cities in UAE (Dubai, Sharjah and Ajman). Survey collectors approached people asking them if they wanted to participate in a survey about Islamic banking, and they waited for the participants to finish the survey and then collected it back from them. 221 surveys were collected, while only 178 surveys qualified after removing surveys completed by people who did not bank in the UAE, not completed surveys, and visitors' surveys. This paper followed a rule suggested by Hair Jr., Bush and Ortinau (2008) that sample size should be at least five times the number of items in the questionnaire. The variables were measured by a 7-point Likert scale ranging from 1 (strongly disagree) to 7 (strongly agree). The items in the survey were adopted and benchmarked to previous studies. The items representing attitude and intention towards Islamic finance were adapted from Gopi and Ramayah (2007) and Ramayah *et al.* (2009), and adjusted to suit the study. Items related to individualism/collectivism are adopted from Souren *et al.* (2005), while the variables related to people's knowledge and awareness of Islamic products were benchmarked to Hamid and Nordin (2001). Image and Shariah compliance were benchmarked to Arshad, Zahra and Draz (2016) and Lee and Ullah, (2011). Before starting, a pilot survey was distributed in three versions to test the responses, and each time changes were made based on the feedback. Details on the items used in the instrument are in Appendix A.

The respondents' demographics were as follows: 99 respondents were males, while the rest of the 178 respondents were females (55.62% males, 44.38% females). In terms of nationality, 50.56% of the respondents were from the UAE, 18.54% from Syria, 5.62% from Egypt, 6.18% from Palestine, 3.93% from India, 2.25% from Iraq, 2.81% from Jordan, 3.37% from Pakistan, and 6.74% from other nationalities like Germany and the US. The high component of UAE nationals in the survey was important to reflect the main trend in the community, although expats make up 85% of the population in UAE, the average stay of an expat in the UAE is around 8.7 years only (Al Awad, 2008), hence the paper chose to focus on UAE nationals.

Also, the respondents' ages varied to reflect the maximum diversity, with 17.42% between 18 to 25 years old, 38.76% between 25 to 35 years old, 35.96% between 36 to 50 years old, and 7.87% between 51 to 65 years old. Their level of education was also varied, with 30.34% below the level of an associate degree, 5.62% held an associate degree, 51.12% a bachelor's degree, and 12.91% an advanced degree from a university (master or PhD). Table I shows more details about demographic statistics.

4.2 Data analysis

The data collected went through several stages of analysis as per the process of Structural Equation Modelling (SEM). In SEM, the factor analysis technique and the path analysis technique are combined to explain the type of interrelation between the latent variables, which will be determined by more than two items (Hair *et al.*, 2010; Whittaker, 2011). Also, SEM has the ability to measure the reliability and the validity of the data and the model created and the model fit (Hair *et al.*, 2010)

4.3 Measurement model assessments

The process started with factor analysis so the underlying relationship between variables can be identified. There are two steps to do this, exploratory factor analysis (EFA) and

confirmatory factor analysis (CFA) (Hair et al., 2010). EFA is a statistical mechanism used to understand the link between the variables and their loading into a single factor. While CFA is a method of analysis to test the underlying theory (Hair et al., 2010). Hence,

Table I: Demographic statistics

<i>Nationality</i>	<i>Number</i>
UAE	90
Egypt	10
Syria	33
Others	12
India	7
Palestine	11
Iraq	4
Jordan	5
Pakistan	6
Total	178

<i>Age</i>	<i>Number</i>
18 to 25	31
26 to 35	69
36 to 50	64
51 to 65	14
Total	178

<i>Level of Education</i>	<i>Number</i>
Less than an associate degree	54
Associate degree	10
Bachelor's Degree	91
Advanced Degree (master's or PhD)	23
Total	178

the study will run both factor analyses and provide the results and the reliability and validity of each tool. In EFA, the Maximum likelihood method and Varimax rotation method was used. Only factors that have a loading of > 0.6 were considered for further analysis (Nunnally, 1978), then the CFA was conducted and the reliability and validity of the model was registered. For validity testing in the CFA model, the approach of Hu and Bentler (1999) was used and the maximum likelihood estimation was adopted. The Average variance extraction (AVE) was used to define convergent validity, and for the discriminant validity, the construct reliability (CR) test was used. $CR \Rightarrow 0.7$, and $AVE > 0.50$ were accepted in this study (Hu and Bentler, 1999). In the Structural equation modelling stage, the inter-relations between the exogenous factors (image, individualism/collectivism, Shariah compliance and awareness) and the endogenous factors (attitude and intention) were tested using a one-way effect relationship. Using Amos 24, the relationship and the parameters were tested again.

4.4 Data screening: Testing of SEM assumptions

Data screening was conducted and 42 surveys were eliminated due to achieving less than 95% completion (Hair et al., 2010) , or they are non-customers of either Islamic or conventional banks which are beyond the scope of this study.

As per Kline (2015), an absolute value greater than 3 is considered skewed. In this study there was no skewness value of more than absolute 1. Regarding kurtosis, the benchmark value is 10, as per Kline (2015), in this study; the highest registered kurtosis was 1.1, which makes the data adequate for testing.

4.5 Approaches to data analysis.

The data analysis was done in two stages. The first stage considered the relationship between the underlying latent factors and the observed variables, the correlation between

these factors and the error correlation (if required) using CFA. The second stage included the causal model between the endogenous and the exogenous factors using SEM. The assessment of the model fit was taken for the entire model instead of each construct. The assessment of reliability and validity was conducted in the CFA model. Post this stage, a test can be conducted to understand whether the data concurred with the theoretical model. (Hair et al., 2010)

5. Results

5.1 Factor loadings

SPSS Amos 24 was used to analyse the data. An explanatory factor analysis was conducted on the data and 6 factors were generated, all factors had a loading average of 0.7 and the Cronbach's alpha was calculated to measure validity at this point. Cronbach's alpha for each factor exceeded 0.7 (Hair et al., 1998). This included all variables and no variable was excluded. Table II shows the details of factor loading and alphas.

The factor loading showed 6 main factors with good loading. The factor loading generated the following factors:

- 1- Attitude towards Islamic banking (Att)
- 2- Intention to deal with Islamic banking (Int)
- 3- The importance of the image of Islamic banks (Img)
- 4- The conviction of customers that the Islamic banks are not Shariah-compliant (Shr)
- 5- The unawareness of customers about Islamic banking contracts and mechanisms. (Unawareness) (Awr)
- 6- The individualism of customers when taking the decision to deal with a bank (Ind)

To check the adequacy of the sample for factor analysis, the KMO (Kaiser-Mayer-Olkin) test and the Bartlett's Sphericity tests were performed on the data. For KMO, the value has to be higher than 0.5 in order to be accepted for factor analysis and the pairs of variable correlations would be explainable by other variables. As for the Bartlett's

Table II: Factor analysis, Cronbach alpha and KMO

Statements	Loading	Alpha
<i>Intention</i>		<i>0.916</i>
int1	<i>0.902</i>	
int2	<i>0.849</i>	
int3	<i>0.828</i>	
<i>Attitude</i>		<i>0.899</i>
att1	<i>0.789</i>	
att2	<i>0.861</i>	
att3	<i>0.692</i>	
<i>Image</i>		<i>0.866</i>
img1	<i>0.658</i>	
img2	<i>0.721</i>	
img3	<i>0.986</i>	
<i>Non-Shariah Compliance</i>		<i>0.886</i>
shr1	<i>0.598</i>	
shr2	<i>0.746</i>	
shr3	<i>0.768</i>	
<i>Un-awareness</i>		<i>0.83</i>
Awr1	<i>0.836</i>	
Awr2	<i>0.8</i>	
Awr3	<i>0.889</i>	
<i>Individualism</i>		<i>0.76</i>
ind1	<i>0.852</i>	
ind2	<i>0.715</i>	
ind3	<i>0.905</i>	

Notes: Maximum Likelihood analysis with Kaiser normalisation, Varimax rotation, KMO = 0.755;

Bartlett's test of Sphericity = $\chi^2 = 1892.216$ ($p=0.000$),

test, the result should be significant in order to reject the null hypothesis that the variables are uncorrelated. In this research, the KMO was 0.755 which makes it adequate for the factor analysis. Furthermore, the Bartlett's Sphericity test was significant ($X^2 = 1892.216$, $df = 154$, $p < 0.01$), so the null hypothesis is rejected, and the variables are correlated, Table II shows the details.

5.2 Confirmatory factor analysis

A CFA model was built with the 6 factors found in the previous test and variables were linked as per their loading, no variable loaded on more than one factor. As per the rule, RMSEA should be equal to or less than 0.07 and CFI is more than 0.92 (Hair et al., 2010), and SRMR less than 0.09 when TLI is more than 0.95 (Hu and Bentler, 1999); these conditions have to be met to claim the goodness of fit. The model fitted with $X^2/df = 1.357$, GFI = 0.909, NFI = 0.919, IFI = 0.977, TLI = 0.970, CFI = 0.977, RMSEA = 0.45, and the factor loadings ranged from 0.53 to 0.94.

5.3 Tests of reliability, validity and common method bias.

As per Hair et al. (2010), testing reliability and validity of the constructed model is done by calculating the construct reliability (CR), average variance extracted (AVE) and discriminant validity.

The CR is calculated based on the factor loading (the squared sum) for every construct and the sum of errors of the same construct (Hair et al., 2010). It should be more than 0.7 to represent a good reliability. While the AVE represents the sum of squared multiple correlation divided by the items (variables) in each construct (Hair et al., 2010), it should be $\Rightarrow 0.5$ to be considered valid. The discriminant validity was tested by comparing the

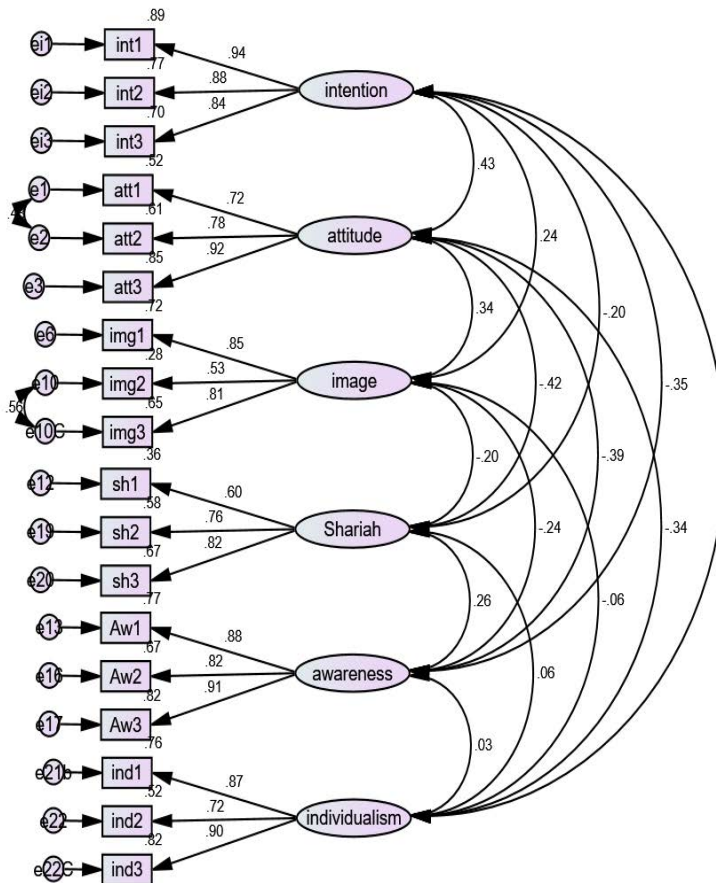


Figure 2: Confirmatory Factor Analysis model

correlation between the factors and the square root of AVE. The correlation should not exceed 0.85 (Yousafzai, Foxall and Pallister, 2010; Kline, 2015). The square roots of AVE should exceed the values of the correlations (Hair et al., 2010), and the maximum shared variance MSV is < AVE (Hu and Bentler, 1999).

Table III provides the CRs, the AVEs and the MSV and the square roots of AVE on the shaded diagonal. Table III shows that the model passed all reliability and validity tests and as the correlation is < 0.8, the model proved to be free of multicollinearity (Hair et al., 2010).

Table III: Reliability and Validity measurements

	<i>CR</i>	<i>AVE</i>	<i>MSV</i>	<i>MaxR(H)</i>	<i>intention</i>	<i>attitude</i>	<i>image</i>	<i>Shariah</i>	<i>awareness</i>	<i>individ</i>
intention	0.916	0.785	0.182	0.931	0.886					
attitude	0.854	0.664	0.182	0.895	0.426	0.815				
image	0.780	0.551	0.116	0.828	0.239	0.341	0.742			
Shariah	0.774	0.538	0.173	0.800	-0.200	-0.415	-0.200	0.733		
awareness	0.901	0.752	0.156	0.908	-0.347	-0.395	-0.241	0.259	0.867	
individ	0.872	0.697	0.117	0.896	-0.126	-0.343	-0.064	0.061	0.032	0.835

Furthermore, the model was tested for common method bias by two methods: Harman's single factor test and the Common Latent Factor method. For the Harman's single factor, the unified factor showed 18% of data explanation, and as the threshold is 50%, it was considered that the model is free of common method bias. Using the Common Latent Factor, it did not show a significant difference between the standardized paths with the highest difference of 0.08 and an average difference of 0.01. Hence the full model will be used and no imputation is required (Podsakoff et al., 2003) and the sample does not suffer from common method bias.

5.4 Results for the structural model test: SEM

After confirming the reliability and validity of the model, the causal relationship between the factors were drawn using SEM. The model had the following variables as latent exogenous variables (awareness, non-Shariah compliance, image of the bank and individualism) and the following endogenous variables (attitude and intention).

The model included paths from awareness, non-Shariah compliance and non-originality, image of the bank and individuality to attitude, and paths from awareness and attitude to intention.

This is the original model representing the underlying theoretical model. The paths from non-Shariah compliance and non-originality, image of the bank and individuality to intention were added to the model to test the indirect effect of these variables on intention through attitude and whether the indirect effect is full or partial. The paths cover the hypotheses to understand the relationship and test these hypotheses.

The model included two small modification indices to increase the goodness of fit, 2 correlations between errors were added to the model, these error correlations made the model a better fit, they are made between two errors of items representing the same latent factor in consequent order.

5.5 Assessment of the structural model fit and uni-dimensionality

In Figure 3, based on the rule, RMSEA should be equal to or less than 0.07 and CFI is more than 0.92 (Hair *et al.*, 2010), and SRMR less than 0.09 when TLI is more than 0.95 (Hu and Bentler, 1999); these conditions have to be met to claim the goodness of fit. As per the results, the model was found to fit with $X^2/df = 1.357$, GFI = 0.909, NFI = 0.919, IFI = 0.977, TLI = 0.970, CFI = 0.977, RMSEA = 0.45, Standard RMR = 0.0478

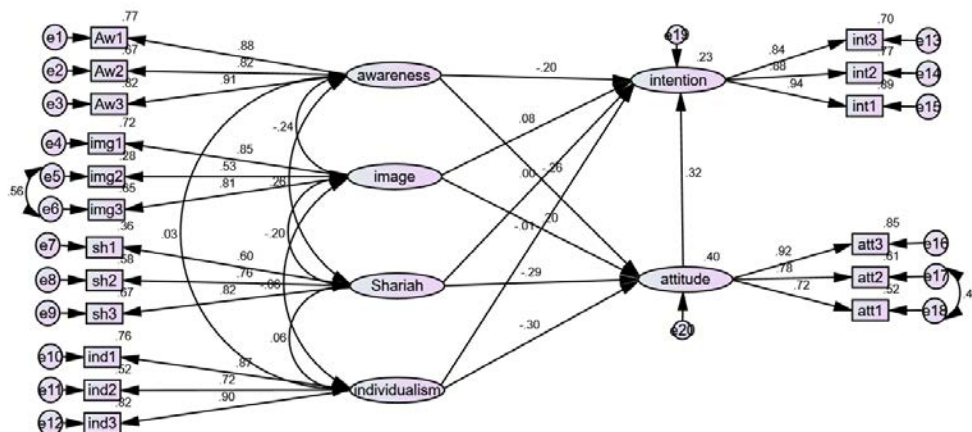


Figure 3: The proposed structural model with estimated standardised path coefficients

5.6 Assessment of path coefficients

Once the model was finalized and fit, the path coefficients were tested. Table IV provides information about all the coefficients, the significance and the critical ratio. The results demonstrate the significant positive effect of attitude on intention (0.317) (p-value < 0.05), while awareness has a negative significant direct effect on intention (-0.202) (p-value < 0.05), while other factors did not have any direct effect on intention. This will be discussed further regarding the indirect effect later.

Also, table IV showed that image (0.200) (p-value <0.05) has a positive significant effect on attitude, while non-Shariah compliance (-0.289) (p-value<0.01), awareness (-0.262) (p-value<0.01), and individualism (-0.304) (p-value<0.01) have negative significant direct effects on attitude.

Table IV: Path coefficients

<i>Destination</i>		<i>Origin</i>	<i>Standardized</i>	<i>S.E.</i>	<i>C.R.</i>
<i>attitude</i>	<---	awareness	-0.262***	0.064	-3.461
<i>attitude</i>	<---	image	0.200***	0.116	2.560
<i>attitude</i>	<---	Shariah	-0.289***	0.084	-3.519
<i>attitude</i>	<---	individualism	-0.304***	0.071	-4.226
<i>intention</i>	<---	awareness	-0.202*	0.063	-2.394
<i>intention</i>	<---	attitude	0.317***	0.096	2.946
<i>intention</i>	<---	image	0.082	0.112	0.967
<i>intention</i>	<---	Shariah	0.001	0.082	0.009
<i>intention</i>	<---	individualism	-0.005	0.071	-0.066

Note: ***and *denote significance at the 0.01 and 0.05 levels, respectively

5.7 Indirect effect analysis

Four factors (image, awareness, individualism and non-Shariah compliance) were tested to understand their indirect effect on intention mediated by attitude, this is consistent with the theoretical model of this study. As mentioned above, only awareness has a direct effect on intention and will be tested for partial indirect effect, while image, individualism and non-Shariah compliance did not have any direct effect on intention and hence they will be tested for full indirect effect. As per Cohen (1988), the standardized path coefficient of values less than 0.1 show a small indirect effect. While values of .30s show a medium effect and values equal to or above 0.5 show a major effect. Table V provides the indirect effects and the significance of each of them. All tested factors (image, awareness, individualism and non-Shariah compliance) have significant but low effects $< (0.1)$. Individualism and non-Shariah compliance have significant negative full indirect effects mediated by attitude. While awareness has a negative significant partial indirect effect on intention mediated by attitude. Image has a positive significant full indirect effect on intention mediated by attitude. The model is consistent with the theory, except for awareness which has an effect directly and indirectly on intention.

Furthermore, the squared multiple correlation (R^2) was extracted for each endogenous variable. As per Cohen (1988), R^2 indicates the size of the predicted variable for each endogenous variable. Values of .01, .09 and .25 represent small, medium and large prediction respectively (Cohen, 1988). In this study, the R^2 of attitude is 0.396 and 0.226 for intention, indicating large predictions of these variables.

6. Hypotheses testing

Table VI provides information about hypotheses testing and the β etas and whether the hypothesis is supported or not.

Table V: Testing indirect effects

Destination		Origin	Stand direct effect	Stand indirect effect (through attitude)	Result
intention	<---	individualism	-0.005	-0.096***	full indirect effect
intention	<---	awareness	-0.202*	-0.083***	partial indirect effect
intention	<---	Shariah	0.001	-0.092***	full indirect effect
intention	<---	image	0.082	0.064*	full indirect effect

Note: ***and *denote significance at the 0.01 and 0.05 levels, respectively

The results showed that all the hypotheses are supported. The results also showed that two factors, namely attitude and unawareness, have significant direct effects on the intention of customers to deal with Islamic banking.

Table VI

HYPOTHESIS	PATHWAY	β	SUPPORTED
H1	IMG ---> ATT	0.200***	YES
H2	SHR ---> ATT	-0.289***	YES
H3	IND ---> ATT	-0.304***	YES
H4	AWR--->ATT	-0.262***	YES
H5	ATT ---> INT	0.317***	YES
H6	IMG---> ATT ---> INT	0.064*	YES
H7	AWR---> ATT ---> INT	-0.083***	YES
H8	SHR ---> ATT ---> INT	-0.092***	YES
H9	IND---> ATT ---> INT	-0.096***	YES

Note: ***and *denote significance at the 0.01 and 0.05 levels, respectively

Unawareness has a negative significant effect on intention, this is in line with several previous studies showing that lack of awareness about Islamic banking mechanisms and concepts affects negatively the intention to deal with it (Hamid and Nordin, 2001;

Wahyuni, 2012; Sabirzyanov, 2016) . The hypothesis in this study was that there is an indirect effect of awareness on intention, which we will discuss later in this section.

Also, attitude has a positive significant effect on intention, this is in line with the theoretical model and provides robustness for the TPB and TRA, and comes in line with the results of several previous studies showing that attitude is a main factor to determine the intention of customers to deal with Islamic banking (Amin, Abdul-Rahman and Abdul Razak, 2013, 2014a). Hence hypothesis H5 is supported.

The results also showed that there are 4 factors that affect customers' attitude directly. The strongest factor affecting attitude was the individualism of customers when choosing a bank. This factor affected the attitude negatively and it might be due to the fact that UAE society is a collectivist society as per Hofstede's cultural dimensions⁵, and religious by nature (AlMazrouei *et al.*, 2016), making it an individualistic decision to steer away from Islamic banking and go to conventional banking as the society promotes dealing with Islamic banks.

The other factors affecting attitude negatively are unawareness about Islamic banking mechanisms and contracts and the belief that they are not Shariah-compliant. these two factors are correlated, and this is in line with the studies of Ahmad and Haron (2002) and Awan and Azhar (2014). This suggests that customers have formed an opinion that these banks are not Shariah-compliant with the minimum level of knowledge they hold about them, which affects their attitude about Islamic banks.

Image was the important factor positively affecting the attitude towards Islamic banks. This is in line with the findings of Sarina Ismail *et al.* (2007); Yasin *et al.* (2009) and Arshad, Zahra and Draz (2016), and seems logical if individualism is considered when making a selection decision. Image and prestige correlate positively with attitude towards

⁵ <https://www.hofstede-insights.com>

Islamic banking. Furthermore, the results showed that the same factors affecting attitude affect intention with the same sign, even though the effect of these factors (non-Shariah compliant, individualism and image) are less on intention than on attitude. The fact that these factors affect intention mediated by attitude throws light on the importance of these factors for Islamic banks.

The results of this study also confirm that attitude is a reliable mediator. This finding is consistent with Sarina Ismail *et al.* (2007) and Yasin *et al.* (2009) that prove the importance of attitude as a mediating factor in consumer research. This proves that the effect of image, Shariah compliance, individualism and partially awareness can be mediated by customer attitude, or customer attitude can serve as a benchmark to measure customers' intention to deal with Islamic banking.

With regards to the fitness of the model, R^2 reached 0.5712, which can be considered to be high and R^2 of attitude is 0.396 and for intention is 0.226, indicating large predictions of these variables. Attitude and awareness predict 22.6% of the total variation in intention. While awareness, individuality, image and non-Shariah compliance predicts 39.6% of the variation in attitude.

7. Conclusion

The study provides the factors affecting attitude towards Islamic banks, and the importance of these factors in affecting the intention to deal with Islamic banks. The study shows the negative effect of non-Shariah compliance, individualistic customers and unaware customers on attitude, and highlights the positive effect of the bank's image on attitude. The study also showed the direct effect of awareness and attitude on intention to deal with Islamic banks.

The study contributes to the literature in several areas. First, the study contributes to the behavioural study of Islamic finance by adding the factors affecting intention

mediated by attitude (image, Shariah compliance, individualism and awareness). Second, the study enhances the understanding of customers' attitude by including several factors affecting attitude. Third, the study provides a proof of the importance of attitude as a mediator between several factors and the intention to deal with Islamic banks.

The study also provides the consumer behaviour in a Muslim migrants and locals in a predominantly Muslim setting which differs completely from the results of the first chapter where the motives were the religious norms, here even when consumers feel that banks are not Shariah-compliant, they deal with it for other reasons like the image of these banks.

8. Implications and limitations

Several implications are suggested by the results. First, Islamic banks should work on their Shariah compliance reputation, as the study suggests that customers do not believe that these banks are Shariah-compliant, and they believe that these banks are copying conventional practices. Islamic banks should work on authentic Shariah-compliant products which can help in restoring the trust of customers. Also, Islamic banks should work on the education aspect as a selling point; the study showed that people are not educated about the mechanisms, and this affects their attitude and intention to deal with Islamic banks. Lack of awareness might also be a reason for customers to believe that Islamic banks are not Shariah-compliant. Increasing awareness might increase the understanding of customers that these products are fully compliant with the Shariah, furthermore, increasing awareness should focus on the role of the Shariah board and his role in the Bank. Stressing on simple and known Islamic products by the marketing department and the Shariah board can help eliminate the belief that these banks are not following Shariah. The new complicated Islamic contracts might be a reason for customers to drive away from Islamic banking. Also, the study approaches a new factor

that affects attitude negatively which is individualism. The study shows that even though the UAE is a high collectivism society, the more individualistic the customer, the more he/she will be unwilling to deal with Islamic banks. This suggests that Islamic banks should focus on the community rather than the individual, whereas the fact that the image of the bank is positively affecting the attitude of customers towards Islamic banks suggest that banks are focusing on individuals rather than the society in their marketing approach. Suggesting that Islamic banks work towards a community approach, may increase business by affecting the attitude of customers. As papers published from the MENA region account for less than 1% of the total papers published, even though the population of this region account for 6% of world population (Balakrishnan, 2013) , this paper is trying to shed light on a specific market in the MENA region (UAE).

The study contributes to the theoretical literature in extending the Multi-Attribute Attitude Model. The study comes as a proof to the importance of the model and the ability to extend it for future research in Behavioural finance.

When comparing with the first chapter, it may indicate that Islamic banks in minority markets where Islamic finance is not available, it may be able to penetrate these markets based on the religiosity of these banks. While in communities with Muslim migrants and locals in a predominantly Muslim setting, it may need further effort to maintain the reputation of Shariah compliance if they want to keep utilising this point.

The study suffers from several limitations. First, the study has used a sample size of 178 participants and has been conducted in three cities; thus, the rest of the country has been overlooked. The results of this study will affect all customers in UAE so future research might return to this aspect. Furthermore, the R^2 of attitude in this study is 39.6% for attitude and 22.6% for intention, suggesting that there are many other factors affecting attitude and intention that can be included in future studies. The sample consists of 171

Muslims and 7 non-Muslims, as per the Islamic banking Index⁶, non-Muslims who hold an Islamic current account are 14% and they hold it along with a conventional current account. But as this study focused on UAE nationals (50% of the sample) and UAE national are 100% Muslims, the number of non-Muslims compared to the rest of the sample (88 participants) in this study is 9%, a little lower than 14%, this can be covered in future studies focusing on all components of the community. Future studies can also explore the interaction effects between awareness, individualism, Shariah compliance and image.

⁶ https://www.emiratesislamic.ae/eng/assets/files/EI_White_Paper_English.pdf

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Appendix

1. Appendix A, Survey Items

- int1* My general intention to choose Islamic banking is very high
- int2* I will think about choosing Islamic banking services
- int3* I will choose Islamic banking services in the future
- att1* I feel that choosing Islamic banking is a wise idea
- att2* I feel that choosing Islamic banking is a good idea
- att3* I like to choose Islamic banking
- img1* I prefer dealing with a big Islamic bank rather than a small one
- img2* The logo and design of the Islamic bank are very important to me
- img3* There should be mass marketing of the Islamic bank in order for me to deal with it
- shr1* I believe the Islamic finance concept is a scam because it uses Sharia to make more money
- shr2* Islamic banks are copying conventional banks and they don't have genuine products
- shr3* I believe there is no difference between Islamic banks and conventional banks, only in name.
- Awr1* I totally understand the Islamic finance mechanisms and contracts (Murabaha, Ijarah, Musharakah) (recoded)
- Awr2* I need to understand the Islamic finance contracts and the way they work before I deal with them
- Awr3* I don't need to understand the Islamic finance system (recoded)
- ind1* I will choose the bank myself, and won't be affected by anyone else

ind2 Most probably I will deal with the Islamic bank which one of my family members or friends recommends (recoded)

ind3 When choosing a bank, my community's opinion is important to me

2. Appendix B – Skewness and Kurtoses

Statistics

	int1	int2	int3	att1	att2	att3	img1	img2	img3	sh1	sh2	sh3	Aw1	Aw2	Aw3	ind1	ind2	ind3
N	178	178	178	178	178	178	178	178	178	178	178	178	178	178	178	178	178	178
Missing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Skewness	-0.086	0.056	0.009	0.092	0.134	0.285	0.359	0.412	-0.39	0.096	0.077	0.001	0.142	0.348	0.205	0.446	0.323	0.323
Std. Error of Skewness	0.182	0.182	0.182	0.182	0.182	0.182	0.182	0.182	0.182	0.182	0.182	0.182	0.182	0.182	0.182	0.182	0.182	0.182
Kurtosis	1.018	1.189	0.755	0.992	1.014	0.498	0.966	0.917	0.947	1.316	0.737	-0.92	1.012	0.792	-1.14	-0.44	0.802	-0.8
Std. Error of Kurtosis	0.362	0.362	0.362	0.362	0.362	0.362	0.362	0.362	0.362	0.362	0.362	0.362	0.362	0.362	0.362	0.362	0.362	0.362

Chapter 4: Understanding the self-efficacy and performance of salespersons in Islamic banking

Abstract

Purpose - The present study investigates the relationship between the factors organization image, awareness effort, customer demandingness, self-efficacy and self-rated performance among salespersons of Islamic banking products in the UAE and the mediating role of awareness effort and self-efficacy in the model, using a theoretical model based on the social cognitive theory.

Design/methodology/approach - The research focuses on surveying salespersons of Islamic banking products in a mixed bank (a conventional bank that has an Islamic department) in the UAE. The researcher uses partial least squares to analyse the data.

Findings - The results show that customer demandingness positively affects awareness effort, awareness effort positively affects self-efficacy, self-efficacy positively affects performance and image positively affects salespersons' self-efficacy and performance. Furthermore, the study highlights the mediating role of awareness effort and self-efficacy in the model.

Research limitations/implications - The sample consists of 217 salespersons working in the same bank, covering 3 cities in the UAE; hence, the rest of the country is not included.

Practical implications - The study shows the importance of awareness effort to achieve better performance as well as the importance of addressing the customer requirements in the environment and the role of the organization image in enforcing salespersons' self-efficacy and performance.

Social implications - The study provides an insight into salespersons' personality and

the factors that enforce their performance and self-efficacy.

Originality/value - The research is the first empirical attempt to test the relationship between performance, self-efficacy, image, awareness effort and customer demandingness in Islamic banking in the UAE.

Keywords: Islamic banking, self-efficacy, salespersons, partial least squares, United Arab Emirates.

1. Introduction

Islamic banking started in the United Arab Emirates in 1975 with the establishment of the Dubai Islamic Bank, which has been the oldest privately owned Islamic bank operating ever since. From that date onwards, the UAE has enjoyed a mixed banking system, in which Islamic and conventional banks have worked side by side in a competitive environment. The competition and the market demand for Islamic banking have led many conventional banks to open Islamic windows (an Islamic banking department that sells Islamic banking products within the conventional bank).

In UAE, the assets of Islamic banks grew 15% in 2015 to AED 464 billion, and their percentage of total Bank assets in the country grew from 18% by the end of 2014 to 19% by the end of 2015. Simultaneously, the investments of Islamic banks in UAE increased by 15% to AED 307 billion (Central Bank of the UAE, 2015). The Islamic banks assets reached AED 405 billion at the end of 2014, and AED 464 billion at the end of 2015, while the investments of Islamic banks increased from AED 266 billion to AED 307 billion for the same period.

In UAE, there are 45 banks, 23 national banks and 22 international banks. Out of the 23 national banks there are 8 full-fledged Islamic banks. Out of the other 37 conventional banks, 23 banks have Islamic windows⁷. This growth in the numbers of assets was achieved using a huge network of sales staff in each bank over the years. The previous numbers are solid proof that salespersons have performed particularly well, and they are expected to continue to do so. This makes the sales phenomenon worth studying to understand the effect of these salespersons' performance.

The UAE, as a cultural and ethnic mix, is unique. The official religion of the UAE is Islam, with 76% of the population following it, taking into consideration that 80% of the

⁷ Emirates Diary report. (2015). <http://emiratesdiary.com/uae-tips/list-of-islamic-banks-inuae#ixzz4OOVgTyg> (Oct. 15, 2016).

population consists of non-citizens. All of the UAE citizens are Muslims, and the majority of the residents are also Muslims; they originate from South and Southeast Asia, the Middle East, Europe, Central Asia, the Commonwealth and North America. While Muslims make up 76% of the population, Christians account for 9% and others, like Hindus and Sikhs, constitute 15% of the UAE population. The average GDP per capita in the UAE in 2016 was USD 67,871 according to the International Monetary Fund,⁸ placing it among the top ten countries worldwide, ranking higher than Switzerland and the United States.

Few previous studies have explored sales in banking, and none have explored the effect of customer demandingness and the awareness effort of salespersons on their self-efficacy and performance. This study will examine the relationship between customer demandingness, salespersons' awareness effort, self-efficacy and self-assessed performance in selling Islamic products, adopting a theoretical model derived from the social cognitive theory. The model is modified to include all the mentioned factors and the relationships between them. The researcher chose to conduct the test on salespersons who work in a mixed bank in UAE, these salespersons having the option to sell either Islamic or conventional bank products. The selection of this sample is important to mitigate the "sell to survive" effect. These salespersons are not forced to sell only Islamic products but have a margin of liberty to achieve their target by selling either Islamic or conventional products.

This chapter comes as an empirical complementary to the previous discussion in chapters 2 and 3. The focus on Banking personnel is important to understand how the behaviour of customers affects the behaviour of bank salespersons and how those staff

⁸ http://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD

will act based on this, and how this can help improve their self-efficacy and performance. Theoretically, this chapter focuses on the social cognitive theory and its development.

The study is organized as follows: Section 2 contains the literature review; Section 3 discusses the theoretical framework and develops the hypotheses; Section 4 presents the sample and research methodology; Section 5 provides the results; and Section 6 contains a discussion, a conclusion and implications.

2. Literature review

The performance of salespersons is defined as the amount of sales, from a quality and quantity perspective, achieved in a known duration of time (Fauzilah and Abdul Razak, 2011). Different approaches have been taken to evaluate salespersons' performance. Colletti and Tubridy (1993) provided a list of activities to be considered when evaluating performance, like selling and meeting attendance, service and knowledge acquisition or training. Campbell (1990) provided a different approach to assessing sales performance by checking the volume of sales, company knowledge and product knowledge.

The earliest theoretical model to acknowledge sales performance was the (Walker, Churchill and Ford, 1977) model, which tried to test the relationship between personality traits and sales performance. Later, several studies confirmed the effect of self-efficacy on performance, the studies by Karatepe et al. (2006) and Richard, Diefendorff and Martin (2006) finding a positive relationship between performance and self-efficacy. The studies conducted by Monteiro and Vieira (2016) and Fosse, Buch, R., Säfvenbom and Martinussen (2015) stressed the mediating role of self-efficacy between sales performance and other variables, like team potency. A meta-analysis covering the period of 1982–2008 performed by Verbeke, Dietz and Verwaal (2010) highlighted that the factors affecting sales performance are sales-related awareness, adaptation, the ambiguity of the role, the level of cognition and the level of engagement that the salesperson shows.

The study by Liozu (2015) used a sample of 956 sales staff and 507 professionals related to sales management around the world to test the factors affecting salespersons' confidence (self-efficacy). The study mentioned that pricing capabilities, the delegation of pricing authority, incentive and goal systems and knowledge have a positive influence on salespersons' confidence and their self-efficacy. The study also found a positive influence of salespersons' confidence on the firm performance.

Jaramillo, Mulki and Boles (2013) conducted a study in the USA to test the factors that affect sales performance, using data collected from 2450 salespersons. The study found that meaningfulness (the belief that a person is doing something that counts) mediates the relationship between customer demandingness and sales performance. S. Gammoh, L. Mallin and Bolman Pullins (2014) showed the importance of salespersons' brand personality, its influence on brand identification and the identification's significant effect on salespersons' self-efficacy and performance.

In Islamic finance, an important study was conducted by Fauzilah and Abdul Razak (2011) on the effect of personality traits on sales performance in Takaful sales in Malaysia. The paper tested the effect of three personality dimensions on sales performance, self-efficacy, self-monitoring and locus of control. Using a sample of 289 respondents and a questionnaire-based study, they found that self-efficacy and self-monitoring positively affect salespersons' performance, while locus of control is negatively related to performance. In the UAE, a study conducted by Al-Mutawa and Ibrahim (2013) tested the relationship between personality traits and service quality in Islamic banks. The study used a sample of 454 customers and 104 front-desk agents. Conducting a regression analysis, it indicated that there is no effect of personality traits on customers' perception of Islamic banking.

Marketing also played a major role in organisations. Advertisement fills the brand with required values and principals critical to the consumer. It also provides valuable information about the product to the customer. These functions can be expanded to build brand image on corporate, retail and product level (Meenaghan, 1995). But the development of organisational structures to fulfil the varying customer requirements shapes a new role of marketing. These changes in tasks of marketing cannot be comprehended by depending only on the profit maximisation approach (Webster, 1992). As research showed the effect of marketing on financial, customer relations, and product performance (Moorman and Rust, 1999). Hence, it is important to understand the effect of image on performance.

3. Theoretical model

Self-efficacy refers to a person's observed ability to execute an action in such a way as to accomplish the required level of performance (Bandura, 1999). People with greater self-efficacy have better self-confidence in achieving the objectives and perform better (Bandura, 1997).

Awareness effort is the amount of effort and time that a salesperson invests in possessing job-related knowledge or skills. The social cognitive theory presumes a direct relationship between the awareness effort and self-efficacy, leading to better performance. According to the theory, proactive learning facilitates the transition of information into efficacy (Bandura, 1997, 1999).

The model used is based on the one proposed by Wang and Netemeyer (2002), built on the social cognitive theory. A few amendments were added to suit the study. The hypotheses developed assume the effect of "customer demandingness" on "awareness effort", the effect of "awareness effort" on "self-efficacy", the effect of "self-efficacy" on

“performance” and the effect of “bank image” on the “self-efficacy” and “performance” of salespersons.

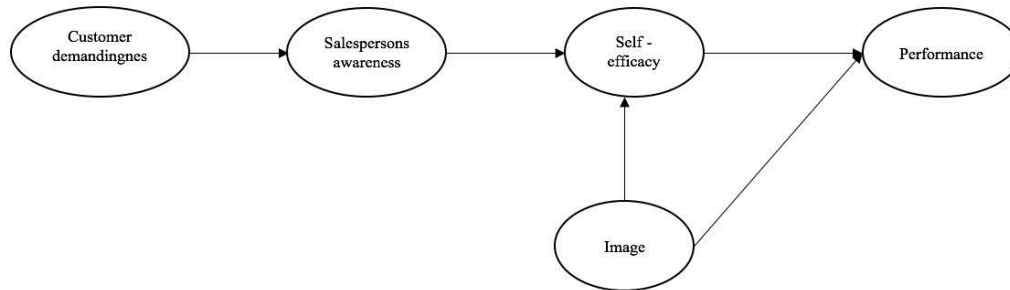


Figure 1: The conceptual framework

4. Hypothesis Development

4.1 Awareness effort

Awareness effort is the time and work that a salesperson invests in possessing sales skills and knowledge about a specific product or sales mechanism on a regular basis. In the context of this paper, the skill is learning about Islamic finance products and mechanisms. Many studies have found a relationship between learning effort, self-efficacy and performance. A conceptual paper introduced by Shannahan, Shannahan and Bush (2013) underlined the importance of salespersons’ training for their performance; the paper also highlighted the ability of the salesperson to be coached as an important aspect of development and consequently performance. A study conducted by Sojka and Deeter-Schmelz (2008) revealed the importance of cognition and orientation to self-assessed performance. The paper highlighted the need for cognition as a more important factor influencing performance. A recent study conducted by Bachrach, Mullins and Rapp (2017) showed that goal monitoring and learning effort increase salespersons’

commitment to a better service quality, leading to a better sales performance. Based on the literature, the hypothesis is the following:

H1: Salespersons' awareness effort positively affects their self-efficacy.

4.2 Customer demandingness

The social cognitive theory indicates that mastering difficult tasks increases staff confidence. In the sales world, the level of difficulty of a task is a function of customers' demandingness; it reflects the salesperson's perception of the customer's requirements and his expectations regarding several aspects, like quality, delivery and product fit. These perceptions push the salesperson to progress further in his learning process. Many studies have highlighted the relationship between customer demandingness, awareness effort and performance. A study conducted by Ye, Marinova and Singh (2012) showed that knowledge possession happens in frontline sales through interaction with customers, which mediates the process of turning the information gathered into new knowledge. That updated knowledge positively influences the outcomes. Another study about demandingness, conducted by Yeboah Banin et al. (2016) resulted that customer demandingness affects sales performance. Finally, a study conducted by Terho et al. (2017) mentioned that value-based selling mediates the relationship between learning orientation and demandingness on one side and sales performance on the other side. Based on the previous literature, the hypothesis is:

H2: Customer demandingness positively affects salespersons' awareness effort.

4.3 Bank image

The image of an organization is the series of thoughts that a person recalls when the name of an organization is mentioned (Nguyen and Leblanc, 2001). Bravo, Montaner and Pina (2009) also mentioned that image is an outcome that the customer uses to classify the qualities of an organization. Many studies have highlighted the relationship between image, performance and self-efficacy. A study conducted by Pomirleanu, John Mariadoss and Chennamaneni (2016) in India, using data from 880 customer contact staff, showed that internal marketing and training positively influence service quality, leading to better performance. In addition, a study conducted by S. Gammoh, L. Mallin and Bolman Pullins (2014) showed the importance of the salesperson's brand personality and its positive influence on brand identification, indicating brand identification's positive effect on salespersons' self-efficacy and performance. Finally, Gillespie, Noble and Lam (2016) mentioned that providing a specific quota of a brand to a salesperson boosts his effort in selling that brand, while brand identification is less effective in boosting the effort in a more competitive environment. Based on the previous literature, the hypotheses are as follows:

H3: Bank image positively affects salespersons' self-efficacy.

H4: Bank image positively affects salespersons' performance.

4.4 Self-efficacy

Self-efficacy represents a person's observed ability to execute an action in such a way as to accomplish an expected level of performance (Bandura, 1999). The social cognitive theory strongly suggests a relationship between self-efficacy and performance (Bandura,

1997; Gist and Mitchell, 1992). Many studies have found a positive relationship between salespersons' self-efficacy and performance.

A study conducted by Richard, Diefendorff and Martin (2006) used a sample of 102 students and found a positive relationship between performance and self-efficacy. Karatepe et al. (2006) conducted a study on frontline hotel employees in Cyprus. They found that self-efficacy and competitiveness have a positive influence on employees' performance.

More recent studies have focused on the mediating role of self-efficacy between performance and other factors. First, a study conducted by Schmitz and Ganesan (2014) in Germany consulted 238 B2B salespersons. The study found that the self-efficacy of salespersons helped in managing complexity but played a role in creating stress. It also indicated that self-efficacy mediates the relationship between complexity and performance. Second, a study conducted by Fosse, Buch, R., Säfvenbom and Martinussen (2015) tested the influence of personality traits on performance in academia and the mediating role of self-efficacy. The study highlighted that self-efficacy partially mediates the relationship between conscientiousness and performance. Finally, the study conducted by Monteiro and Vieira (2016), using data collected from 290 salespersons, showed that the potency of the sales team has a positive influence on their self-efficacy and adaptability. The results also showed the mediating role of self-efficacy between team potency and sales performance.

Based on the literature, the hypothesis is the following:

H5: Salespersons' self-efficacy positively affects salespersons' performance.

4.5 Mediating effect

Based on the theoretical model provided, the mediating effect of awareness effort can be tested by the hypothesis below:

H6: The customer demandingness effects on self-efficacy are mediated by awareness effort.

In addition, based on the theoretical model provided and the literature, the mediating effect of self-efficacy can be tested, and the hypotheses are the following:

H7: Self-efficacy mediates the relationship between awareness effort and performance.

H8: Self-efficacy partially mediates the relationship between image and performance.

5. Method of analysis

SPSS Amos 24 was used to screen the data initially. Uncompleted surveys were removed, and each item was coded based on the factor analysis performed in SPSS. Descriptive analysis of the demographic information was carried out in SPSS. To achieve the objectives of this paper, the partial least square (PLS) method was used in SmartPLS (v 3.2.7). The reasons for adopting PLS were: first, it is appropriate for explaining complex relationships in the field of consumer behaviour (Shi, Shambare and Wang, 2008); second, it is suitable for developing theories or adjusting existing theories (Kleijnen, Wetzels and de Ruyter, 2004); and third, PLS is tolerant but powerful when it comes to the measurement scale, size of the sample and residuals (Chin, Marcolin and Newsted, 2003). PLS analysis is conducted in two stages, the measurement model followed by the structural model assessment (Chin, 2010).

5.1 Data description, sample collection process and demographics

The data collection process followed the convenience sampling approach, as it is not easy to access the total number of salespersons who sell Islamic banking products in the UAE. The method has been widely used in Islamic behavioural finance research (Amin, 2012). The survey consisted of 2 parts: the first covered the latent factors and consisted of 15 questions and the second covered the demographic information and contained 3 questions. The sample contained 217 salespersons who worked in a mixed bank (a conventional bank that has an Islamic banking department). All the participants were selected on the basis that they sell both Islamic and conventional bank products. The selection of this sample was intended to mitigate the survival factor among salespersons; that is, these sales staff members are not forced to sell only Islamic products because their survival depends on it but have a margin of liberty to sell either conventional or Islamic bank products. Also, collecting a sample of 217 salespersons working for the same bank allows controlling for corporate culture and thus focusing more precisely on the research subject.

The data were collected in cooperation with the management of the bank, and one person was responsible for handing out the survey to each sales staff member and collecting it once it had been completed. Hence, the response rate was high. Out of 225 surveys distributed, 217 were completed and returned. The survey was conducted in English. The data collection took place in October 2017. The variables were measured on a 7-point Likert scale ranging from 1 (strongly disagree) to 7 (strongly agree). The items in the survey were adopted from and benchmarked to previous studies. The items representing self-rated performance, awareness effort and customer demandingness were adapted from Wang and Netemeyer (2002) and adjusted to suit the study. The items

related to image were benchmarked to Arshad, Zahra and Draz (2016) and adapted to suit the study. Before starting, a pilot survey was distributed in three versions to test the responses, and each time changes were made based on the feedback. The details of the items used in the instrument are provided in Appendix A. The respondents' demographics are presented in Table I.

Table I: Demographic Analysis

	Frequency	Percentage
<i>Gender</i>		
Female	40	18%
Male	177	82%
Total	217	100%
<i>Country</i>		
Egypt	2	1%
India	161	74%
Jordan	6	3%
Pakistan	11	5%
Philippines	31	14%
Sri Lanka	3	1%
Sudan	3	1%
Total	217	100%
<i>Experience</i>		
Less than a year	46	21%
1 to 3 years	80	37%
3 to 5 years	52	24%
More than 5 years	39	18%
Total	217	100%

5.2 Measurement model

According to Hair Jr, J. F., Hult, G. T. M., Ringle, C., & Sarstedt (2016), the evaluation of a measurement model consists of three steps: first, internal consistency (Cronbach's alpha and composite reliability); second, convergent validity (indicator reliability and average variance extracted); and third, discriminant validity. Cronbach's alpha, as a rule of thumb, can be estimated in the same way as composite reliability. Values from 0.60 to 0.70 for each factor are considered to be acceptable, while values between 0.70 and 0.90 are satisfactory. As for indicator reliability, the standardized outer loading for all the indicators should be 0.708 or higher. The average variance extracted (AVE) for each reflective construct should be more than 0.5 to consider that the construct explains more than half of the variance of its indicators.

For discriminant validity, the square root of each construct's AVE should be higher than its correlation with any other construct (Fornell and Larcker, 1981; Hair Jr, J. F., Hult, G. T. M., Ringle, C., & Sarstedt, 2016). Table II and Table III provide the loadings, Cronbach's alpha, CRs, AVEs and square roots of the AVE on the shaded diagonal. The table shows that the model passed all the reliability and validity tests.

5.3 Structural model assessment

For collinearity, the VIF should not exceed 5 (Hair Jr, J. F., Hult, G. T. M., Ringle, C., & Sarstedt, 2016); in the model, the VIF did not exceed 1.288 (Appendix B). Regarding the model fit, (Hair Jr, J. F., Hult, G. T. M., Ringle, C., & Sarstedt, 2016) mentioned that the standardized root mean square residual (SRMR) should be less than 0.08, which is too conservative for PLS; in this study, the SRMR was 0.078, indicating a good fit of the model.

Table II: Factor Loading, reliability and Validity

Construct	Item	Loading	CR	AVE	Alpha
Image	img1	0.933	0.947	0.855	0.915
	img2	0.902			
	img3	0.939			
Awareness	awr1	0.906	0.926	0.807	0.88
	awr2	0.907			
	awr3	0.881			
Performance	prf1	0.883	0.911	0.774	0.856
	prf2	0.816			
	prf3	0.937			
Self-efficacy	sef1	0.952	0.954	0.874	0.928
	sef2	0.933			
	sef3	0.919			
Demandingness	Dm1	0.72	0.863	0.68	0.765
	Dm2	0.875			
	Dm3	0.869			

Table III: Discriminant validity

	Awareness	Demandingness	Image	Performance	Self-efficacy
Awareness	0.898				
Demandingness	0.378	0.825			
Image	0.249	0.163	0.925		
Performance	0.171	0.067	0.354	0.88	
Self-efficacy	0.247	0.142	0.473	0.379	0.935

Furthermore, the squared multiple correlation (R^2) was extracted for each endogenous variable. According to Cohen (1988), the R^2 indicates the size of the predicted variable for each endogenous variable. Values of .01, .09 and .25 represent small, medium and large predictions, respectively (Cohen, 1988). Table IV provides the R^2 for each endogenous variable. The results show an R^2 between 0.143 and 0.241, making the model

a large predictor of the behaviour. This means that 14.3% of the awareness, 24.1% of the self-efficacy and 18.3% of the performance were explained by the model.

Table IV: R² values

Factor	R Square
Awareness	0.143
Performance	0.183
Self-efficacy	0.241

5.4 Results and hypothesis testing

The paths between the factors were tested to understand the relationship and test the hypotheses. The model includes a path from demandingness to awareness, a path from awareness to self-efficacy, a path from self-efficacy to performance and two paths from image to self-efficacy and performance. Table V provides the standardized coefficients, the p-values and the hypotheses' status. The results demonstrate a significant positive effect of demandingness on awareness (0/378, $p < 0.00$), a significant positive effect of awareness on self-efficacy (0.138, $p < 0.05$), a significant positive effect of self-efficacy on performance (0.273, $p < 0.00$) and a significant positive effect of image on both self-efficacy (0.438, $p < 0.00$) and performance (0.225, $p < 0.00$). Thus, hypotheses H1, H2, H3, H4 and H5 are supported.

To examine the mediation effect, the bootstrapping method of Preacher and Hayes (2008) was used, which is supported by SmartPLS 3. The analysis indicates that there is an indirect effect from demandingness to self-efficacy mediated by awareness (0.052, $p < 0.05$). According to Cohen (1988), standardized path coefficients with values less than 0.1 show a small indirect effect, while values of .30 represent a medium effect and values equal to or above 0.5 indicate a major effect. This indirect effect is small, and H6 is

supported. Furthermore, there is an indirect effect from image to performance that is mediated by self-efficacy (0.119, $p < 0.01$), so H8 is supported. Regarding H7, the indirect effect of awareness on performance mediated by self-efficacy proves to be significant but at the 90% confidence interval (0.038, $p = 0.093$).

Table V: Hypotheses testing

Hypothesis	Pathway	β	(St. Dev.)	Supported
H1	Awareness -> Self-efficacy	0.138***	0.061	YES
H2	Demandingness -> Awareness	0.378***	0.067	YES
H3	Image -> Performance	0.225**	0.08	YES
H4	Image -> Self-efficacy	0.438***	0.052	YES
H5	Self-efficacy -> Performance	0.273***	0.071	YES
H6	Demandingness -> Awareness -> Self-efficacy	0.052**	0.026	YES
H7	Awareness -> Self-efficacy -> Performance	0.038*	0.021	YES
H8	Image -> Self-efficacy -> Performance	0.119***	0.034	YES

Note: ***, ** and * denote significance at the 0.01, 0.05 and 0.1 levels, respectively.

5.5 Discussion

The results showed that salespersons' awareness effort to acquire knowledge about Islamic banking products affects their self-efficacy positively. This result is in line with the theoretical framework of social cognitive theory, which presumes a direct relationship between awareness effort and self-efficacy (Bandura, 1997). This is also true in the case of bank sales; even if salespersons are selling both Islamic and conventional bank products, their awareness effort is important to increase their self-efficacy. It also seemed that the demandingness of customers drives salespersons to increase their knowledge about the products, hence increasing their self-efficacy, leading to a better performance. This finding is in line with the findings of Terho et al. (2017) and Wang and Netemeyer (2002).

The new element added to the theoretical model is the image of the bank and how it affects the self-efficacy and performance of salespersons. The study showed that sales staff are directly affected by the image of the organization for which they work; it affects their self-efficacy and their performance, indicating that the sales numbers might be increased due to the enforcement of the image of this bank and not only due to the fact that it is Islamic. This finding is in line with the findings of Pomirleanu, John Mariadoss and Chennamaneni (2016). The obvious finding of this study is the positive effect of self-efficacy on performance, which provides support for the previous literature and affirms that what applies to sales in any other field also applies to sales in Islamic banking.

The study proved that awareness effort can act as a mediator between customer demandingness and self-efficacy and that self-efficacy can play the role of a mediator between image and performance and between awareness and performance to an extent.

6. Conclusion

The study provided a demonstration of the relationship between customer demandingness, awareness effort, self-efficacy, image and performance among salespersons of Islamic banking products. It showed the positive effect of customer demandingness on awareness effort, awareness effort on the self-efficacy of salespersons, self-efficacy on performance and image on self-efficacy and performance. The study also showed the mediating effect of awareness effort between customer demandingness and self-efficacy as well as the partially mediating role of self-efficacy between performance on one side and image on the other side.

The study contributes to the literature in several areas. First, the study is the first to test the concepts of self-efficacy, performance, awareness effort and image in Islamic banking. Second, it provides new proof of the relationship between the organization's

image and the salespersons' self-efficacy and performance. Finally, the study adds to the literature on Islamic banking salespersons and the understanding of their behaviour.

7. Implications and limitations

Several managerial implications can be derived from this study. First, awareness effort affects salespersons' self-efficacy and consequently their performance; hence, awareness should be encouraged either through experience or through training. Second, the importance of customer demandingness should raise a flag about the role of customer requirements and feedback. From the salespersons' perspective, customer demandingness is a noticeable factor indicating the importance of the quality of the products and services required. This demandingness motivates salespersons to learn more about the products and ways to enhance the services. Finally, the organization's image is important in enhancing the self-efficacy and performance of the salespersons. Sales and marketing managers have an important role in reinforcing that image in the minds of their sales team members; it is important for the organization to provide its sales staff with all the knowledge about the organization and, in the context of this study, about the Islamic banking department and the brand and to try to work on this image to maximize the outcome from a sales perspective.

The study suffers from several limitations. First, it used a sample of 217 salespersons as participants from 1 bank in the UAE. Those salespersons cover 3 cities, but the rest of the country has been overlooked. The results of this study will affect all banking sales in the UAE, so future research might return to this aspect. Furthermore, the R^2 of the factors in this study was between 0.14 and 0.24, suggesting that there are many other factors affecting awareness, self-efficacy and performance that can be included in future studies.

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Appendix A: Questionnaire

When it comes to selling Islamic Banking Products:	
img1	Customers who take Islamic products from our bank do it because of the image of the bank, not because it is Islamic.
img2	The more I love the marketing campaign, the more I feel confident about the Islamic products I am selling.
img3	The logo and design of the Islamic bank are very important to me.
When it comes to selling Islamic Banking Products:	
awr1	I try very hard to improve my sales skills continuously.
awr2	I spend a lot of time learning new approaches to dealing with Islamic customers.
awr3	I put in a great deal of effort into learning new approaches to selling Islamic products.
When it comes to selling Islamic Banking Products:	
prf1	I am very effective in closing sales.
prf2	My overall performance in 2017 was super.
prf3	My performance in 2017 in terms of the quality of work was great.
When it comes to selling Islamic Banking Products:	
sef1	Overall, I am confident in my ability to perform my job well.
sef2	I feel I am very capable in the task of selling Islamic products.
sef3	I feel I have the capacities to perform this job successfully.
When it comes to selling Islamic Banking Products:	
Dm1	The customers whom I serve are demanding in regard to Islamic product/service quality and reliability.
Dm2	My customers have high expectations for service and support.
Dm3	My customers expect me to deliver the highest levels of Islamic product/service quality.

Gender

()Male

()Female

Nationality

how many years of experience in Selling Islamic banking Products do you have?

- less than a year
- 1 to 3 years
- 3 - 5 years
- more than 5 years

Appendix B: VIF

	Awareness	Performance	Self-efficacy
Awareness			1.066
Demandingness	1		
Image		1.288	1.066
Self-efficacy		1.288	

Concluding Remarks

The dissertation resulted in many conclusions about consumers' attitude and intention toward Islamic finance, and the behaviour of salespersons selling Islamic banking products. The first chapter highlighted the gaps in the literature and the aim of the study. The second chapter contributes towards determining the factors affecting patronage of Islamic banks among the Muslim community in Spain, and towards shaping a profile of potential Islamic banking customers in Spain. The results showed the intention of Muslims in Spain to deal with Islamic banking, with the main factor being their attitude towards Islamic banking. The results also showed the importance of awareness among Muslims in Spain as a key factor affecting their decision to deal with Islamic Banking. Like many previous studies, this chapter showed the importance of the religious motive and determined the profile of a prospective Islamic bank client. The third chapter focused deeply on the factors affecting attitude towards Islamic banks, and the importance of these factors in affecting the intention to deal with Islamic banks. The chapter shows the negative effect of non-Shariah compliance in Islamic banks, individualistic customers and unaware customers on attitude, and highlights the positive effect of the bank's image on attitude. The study also showed the direct effect of awareness and attitude on intention to deal with Islamic banks. Similar to the second chapter, the importance of awareness appears again in this chapter even that it is done in mature markets where Islamic Banking has been operating for more than 40 years. Also, it can be noticed that the religious norms are still an important factor affecting the decision to deal with Islamic banks. The final chapter focuses on the behaviour of salespersons selling Islamic banking products. It provides a demonstration of the relationship between customer demandingness, awareness effort, self-efficacy, image and performance among salespersons of Islamic banking products. It showed the positive effect of customer demandingness on awareness

effort, awareness effort on the self-efficacy of salespersons, self-efficacy on performance and image on self-efficacy and performance. The study also showed the mediating effect of awareness effort between customer demandingness and self-efficacy as well as the partially mediating role of self-efficacy between performance on one side and image on the other side. This chapter also highlights the importance of two factors mentioned before, first the awareness, but this time from a sales perspective, second, the image of the organisation. These two factors not only affect the consumer's decision to deal with Islamic banks but also affects the self-efficacy and the performance of the salespersons who sell these banking products. The chapter also highlighted how customer behaviour of demanding affects the behaviour of bank personnel.

