

Influence of Awareness on SME's Intention towards Islamic Finance Adoption in Pakistan

Rabia Rasheed, Universiti Utara Malaysia*

Maria Abdul Rahman, Universiti Utara Malaysia

Abstract: A large number of SMEs in North Africa, Middle East and South Asia prefer Islamic financial products over their conventional counterparts. Similarly, in Pakistan SME owner-managers prefer Islamic finance as 20-25 percent of SMEs are not willing to take conventional finance. Despite higher demand, however, these firms are unable to access Islamic finance from financial institutions. There are several factors behind this dilemma on both supply and demand side. The present study discusses demand side issues pertaining to lack of adoption of Islamic finance by SMEs in Pakistan. Among various demand side factors, this paper has focused on the issue of lack of financial knowledge or awareness of Islamic financial products. In Pakistan, due to financial illiteracy of SME owner-managers, they seldom are able to identify suitable available financing options for their business financial needs. Thus, this study intended to determine the importance of awareness factor in influencing intention of SMEs to adopt Islamic finance. A conceptual framework has been constructed based on Theory of Planned Behaviour (TPB) and research propositions are developed in order to elaborate role of awareness in influencing SME managers' intention towards Islamic finance adoption. A preliminary analysis has been conducted through pilot study to check the internal consistency and reliability of instrument and found valid for further research. These both outcomes of the study are expected to lay foundation for more structured research on the issue of demand side factors of adoption of Islamic financial products.

Keywords: Islamic banking, awareness, Pakistan, finance, products

Paper ID: MYMS86

*Corresponding author's email: rabia7862009@live.com